



PNB  
GILTS  
LTD

(A subsidiary of Punjab National Bank)

# Silver Jubilee Year



# 25th

# ANNUAL REPORT

# 2020-21

## Board of Directors\*



**Shri S. K. Saha**  
Chairman  
(Non-Executive & Non-Independent)



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



**Shri S. K. Kalra**  
Independent Director



**Smt. Uma Ajay Relan**  
Independent Director



**Dr. T. M. Bhasin**  
Independent Director



**Shri Ashutosh Choudhury**  
Non-Executive &  
Non-Independent Director



**Shri Vikas Goel**  
Managing Director & CEO

## OUR MISSION AND VISION

**To be a leader in the Primary Dealer Business  
and  
to be known a Knowledge Based, Research Oriented  
and  
Quality Conscious Company maximising wealth for Shareholders**

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### Safe Harbour Statement

Statements in this Annual Report describing the Company's objectives, expectations or forecasts may be forward looking within the meaning of applicable laws and regulations. While these forward-looking statements exemplify our judgment and future expectations concerning the development of our business, a number of risks and uncertainties and other important factors viz. economic conditions affecting demand and supply, government regulations, natural calamities and so on, may cause actual development and results to differ materially from our expectations. The Company undertakes no obligation to publicly revise any forward-looking statements to reflect future events or circumstances.



## *Chairman's Letter to Shareholders*

**Dear Shareholders,**

It is my privilege to write to you as the Chairman of PNB Gilts Ltd. and I feel honored to accept the responsibility to Chair the Board. I have immense pleasure in presenting the Annual Report of your Company for Financial Year 2020-21.

The year 2020-21 saw one of the worst in terms of humanitarian as well as an economic crisis, which reverberated across geographies. The first half of the year was especially painful as the world struggled with an unabated rise in COVID infections, which resulted in disruption of economic activities, purging supplies and demand simultaneously. The first quarter GDP figures reflected the damage to the global economy with India registering a sharp contraction of 24.4 per cent. After a much painful first half of the year, the second half brought some hope on breakthrough in vaccine and launch of vaccination process in some countries by end of December 2020. The opening up of the economies is depended upon pace of vaccination and advanced economies led the way, vaccinating their population rapidly, which helped in consumer demand to return to the fore. Though developing economies were initially slow in vaccine procurement and vaccination drive, however, with vaccination programmes gaining momentum across the globe, economic activity is expected to return to normalcy. All throughout the period, the central banks and governments remained in battle ready mode, taking unprecedented measures to mitigate the impact of the crisis and in absence of these measures, the impact of the crisis would have been far worse.

On the domestic front, the Indian economy witnessed contraction of 7.3 per cent during FY 2020-21 as private consumption and investment activity sank significantly. During FY 2020-21, Private Final Consumption Expenditure contracted by 9.14 per cent y-o-y, while Gross Fixed Capital Formation contracted by 10.78 per cent. Government Final consumption Expenditure, however acted as cushioning factor to the decimated economic activity, playing its much-required counter cyclical role.

Throughout the year, RBI remained attuned with its primary goal of reviving economic growth and undertook several pre-emptive and growth supportive measures. RBI reduced repo rate by 115 bps to 4 per cent during March to May 2020, taking the cumulative easing in the current easing cycle (beginning from February 2019) to 250 bps. Besides, RBI also undertook several conventional

and unconventional policy measures to ensure normal functioning of the financial system and markets. RBI resorted to open market operations and provided explicit time based guidance in its monetary policy reviews, which helped in smooth conduct of the government-borrowing program during the year.

I am pleased to say that your Company posted a much improved performance results for FY 2020-21, despite the uncertain and challenging economic scenario in which it operated. In the midst of a raging pandemic, your Company ensured that all necessary and proactive steps were taken to prevent any disruption in its operation. Profit before Tax (PBT) of your Company witnessed a substantial increase with PBT of ₹ 614.35 Crore in FY 2020-21 as against ₹ 249.81 Crore in FY 2019-20. The record profitability during the year was driven by a robust rise in its core income. The NOF of the Company strengthened to ₹1305.69 Crore as on March 31, 2021 as against ₹ 1002.19 Crore as on March 31, 2020. I am pleased to state that your Company has declared the highest dividend of ₹10 per share for FY2020-21. The Company remained adequately capitalized during the entire year and capital adequacy ratio as on March 31, 2021 stood at 45.58 per cent against RBI's minimum stipulation of 15 per cent. I am glad to inform you that your Company continues to make a difference by contributing towards various social causes. Company undertook several CSR projects contributing ₹ 2.08 Crore towards health care, education, defence services, environmental conservation etc.

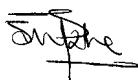
The company fulfilled all its obligations as a Primary Dealer by successfully adhering to the stipulations laid down by the Regulator(s). Besides, effective risk management systems kept the Company's risk profile in check throughout the year. Continuous support of all our shareholders has been our driving force year by year. We are immensely grateful to you for your cooperation and support which has helped us deliver in these challenging times.

### Forward Guidance

The new financial year began on a somber note as the pandemic turned virulent raging across the urban and rural areas of the country. The expectations of monetary policy returning to normalization in FY2021-22, ebbed as growth concerns resurfaced, with RBI also expressing its concerns over the same. The economic environment remains uncertain as fears of multiple waves surfacing and the damage inflicted by the earlier waves on income and demand is likely to push recovery farther. In such uncertain times, your Company shall continue to remain proactive in ensuring that the operations remain smooth and disruption free. Your Company remains committed to adapt best practices in all its processes and on back of a dynamic and proactive management and carrying the trust of our stakeholders, your Company shall continue to grow well in years to come.

I extend my heartfelt gratitude to all the stakeholders, directors and employees for their persistent support, unwavering trust and tireless efforts to strengthen the position of the Company. I assure that your Company will continue to remain committed to enhance value for all the stakeholders.

Yours Sincerely,



**(Swarup Kumar Saha)**  
Chairman

Date: August 24, 2021  
Place: New Delhi

## BOARD'S REPORT

Dear Members,

Your Directors are pleased to present the Twenty Fifth Annual Report together with the Company's audited financial statements for the financial year ended March 31, 2021.

### 1. RESULTS OF OUR OPERATIONS AND STATE OF AFFAIRS

The Company's financial performance, for the year ended March 31, 2021 is summarized below:

(₹ in lacs)

	For the year ended 31.03.2021	For the year ended 31.3.2020
Total Income	105227.40	88259.87
Less : Total Expenditure	42920.08	55157.72
Exceptional Items	(872.62)	(8121.58)
Profit/(loss) Before Tax	61434.70	24980.57
Less : Tax Expense	16023.02	6345.11
<b>Profit for the period</b>	<b>45411.68</b>	<b>18635.46</b>
Other Comprehensive Income	(26.49)	(115.19)
Total Comprehensive Income	45385.19	18520.27
Opening Balance of Retained Earnings	32472.45	20713.66
Closing Balance of Retained Earnings	50774.29	32472.45
Earnings per share (Rs.)	25.23	10.35

During the financial year 2020-21, debt market witnessed heightened action because of macroeconomic imbalances induced by the COVID crisis. The economy faced severe headwinds as the COVID crisis and the nationwide lockdown restricted economic activity, leading to disruption in business, an increase in unemployment, and a sharp reduction in private investment and consumption. In a synchronized move, along with other central banks of the world, RBI also changed its monetary policy stance to highly accommodative, slashing the Repo rate by 75 basis points on March 27, 2020 followed by a 40 basis points cut in Repo rate on May 22, 2020. Besides the reduction in policy rates, RBI announced liquidity infusion measures such as Cash Reserve Ratio cut, Long Term Repo Operations, and a host of regulatory forbearance measures in response to the extreme economic shock. The 10-yr yield plunged by more than 75 basis points in response to monetary policy response to the crisis from 6.50 per cent in April, 2020 to 5.73 per cent in May, 2020. The bond yields however faced upward pressure as GOI rolled out fiscal stimuli, which led to additional borrowing requirements. During the year, GOI borrowing increased to an unprecedented ₹12.60 trillion. However, active intervention by RBI through regular Open Market Operations (OMO) and Operation Twists, prevented yields from rising sharply despite heavy supplies. During the year, RBI bought ₹3.10 trillion of GOI securities on a net basis through OMOs. Inflation also remained stubbornly high owing to high food price inflation and an increase in taxes on fuel, which resulted in cost-push pressures in the economy. Global factors remained largely favorable as yields remained soft while crude oil prices also remained contained amidst weak global demand. In a year which turned out to be unprecedented for global and domestic markets, the 10-yr benchmark yield touched a high and low of 6.50 per cent and 5.73 per cent respectively, and closed at 6.18 per cent as on March 31, 2021 vis-à-vis previous year's closing of 6.14 per cent.

Against the backdrop of volatile market conditions, Company continued to fulfill all its obligations as a Primary Dealer mandated by RBI in Primary and Secondary markets. Company leveraged the favorable conditions prevalent in the market by 1) adequate stock size; 2) well-timed entry and exit; 3) emphasis on carry income in a low funding cost environment; 4) hedging the price exposure. As a result of all the above, Company posted a record Profit before Tax (PBT) of ₹ 61434.70 lacs during FY 2020-21 as against a PBT of ₹ 24980.57 lacs



during FY 2019-20. Profit after tax (PAT) for FY 2020-21 stood at ₹ 45411.68 lacs as against ₹ 18635.46 lacs during FY 2019-20. Capital adequacy remains strong with its capital to risk weighted assets ratio (CRAR) at 45.58 per cent as on March 31, 2021 (32.47 per cent as on March 31, 2020), well above the regulatory minimum of 15 per cent for Primary Dealers. With regard to Treasury Bills commitment, the Company exceeded the stipulated success ratio of 40 per cent, achieving 42.55 per cent and 41.98 per cent in H1 and H2 respectively. In G-sec category, Company fulfilled the underwriting commitments, thereby supporting the government borrowing program. Company's total turnover ratio (secondary market) stands at 338 times for treasury bills and 450 times for government-dated securities as on March 31, 2021 against the minimum RBI stipulation of 10 times and 5 times respectively.

### **Impact of COVID-19**

The COVID-19 pandemic emerged as a global challenge, forcing the governments to enforce lock-down of economic activity, creating disruption across the world. Your Company, being a Primary Dealer, is in the list of essential services provider. Accordingly, the company has not faced any business stoppage / interruption on account of lockdown. Based on existing facts and circumstances, the Company does not anticipate any material uncertainties which can affect its liquidity position or its ability to continue as a going concern.

The Company has ensured the health and well-being of all its employees and continuation of its business operations as well without any disruption. From a highly centralized model consisting of work spaces set up in different locations of the country, the switch to work from home for employees through its BCP model was carried out seamlessly. In this model, work from home enabled the employees to work remotely and securely. Few employees, on rotational basis, operated from different office locations without any health issues.

Under the prevailing conditions, your Company, through its pro-active approach and prudent risk management practices and systems etc., has been able to run the business operations successfully. Your Company stands committed towards its employees, clients, government and the society. As a measure of CSR, your Company during the year 2020-21 has given a sum of ₹ 100 lacs to PM Cares Fund set up by the Govt. of India for dealing in emergent situations like Covid-19.

### **Material Changes and Commitments**

Save as otherwise provided in this report, no material changes and commitments affecting the financial position of the Company have occurred after the close of the year till the date of this report.

### **Capital Adequacy**

Capital adequacy ratio as on March 31, 2021 stood at 45.58 per cent as against the RBI stipulation of 15 per cent.

### **Dividend**

Your Directors are pleased to recommend a final Dividend of ₹ 3 (i.e. 30 per cent) per equity share of face value of ₹10/- for the year ended 31st March, 2021, subject to approval in the ensuing Annual General Meeting. The 1<sup>st</sup> Interim Dividend of ₹ 3 (i.e. 30 per cent) per equity share of face value of ₹10/- was declared on 10th November, 2020 and 2<sup>nd</sup> Interim Dividend of ₹ 4 (i.e. 40 per cent) per equity share of face value of ₹10/- was declared on 4<sup>th</sup> February, 2021. The total Dividend for the financial year ended 31st March, 2021 amounts to ₹ 10/- (i.e. 100 per cent) per equity share of face value of ₹10/- each.

The Dividend Distribution Policy, in terms of Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") is available on the Company's website on <https://www.pnbgilts.com/data/governance/1624942724.pdf>.

### **Transfer to Reserves**

Your Company proposes to transfer ₹9082.34 lacs in Statutory Reserve as required under the provisions of Section 45-IC of the Reserve Bank of India Act, 1934. Further, in terms of the first proviso to Section 123(1) of the Companies Act, 2013, the Company proposes not to transfer any sum in General Reserve.

## 2. CORPORATE GOVERNANCE

Corporate Governance for your 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.

We comply with the SEBI and RBI guidelines on Corporate Governance. We have documented our internal code on Corporate Governance in compliance of SEBI and RBI guidelines. The Corporate Governance practices followed by the Company are given in the Corporate Governance section of this Annual Report. A certificate from M/s Pranav Kumar & Associates, Company Secretaries regarding compliance of conditions of Corporate Governance as stipulated in the SEBI Listing Regulations is enclosed with the 'Report on Corporate Governance' forming part of the Board's Report.

### Number of meetings of the Board

The Board met ten times during the financial year 2020-21 to review strategic, operational, technological and financial matters besides laying down policies and procedures for operational management of the Company. The details of such meetings are given in the 'Report on Corporate Governance' that forms part of this Board's Report.

### Directors and Key Managerial Personnel

During the year 2020-21, Smt. Sunita Gupta (DIN: 06902258), Whole Time Director (designated as 'Executive Director & CFO'), whose tenure was upto 31.08.2020, ceased from her position with effect from September 1, 2020.

The Board, on the recommendation of Nomination and Remuneration Committee and Audit Committee, appointed Sh. Chandra Prakash, Chief Manager, Punjab National Bank ('PNB') as Chief Financial Officer of the Company with effect from February 26, 2021.

Further, on the recommendation of Nomination and Remuneration Committee, the Board appointed Sh. Agyey Kumar Azad (DIN: 08985570), the then Executive Director, PNB, as an Additional Director (Non-Executive & Non-Independent) and consequently, Chairman of the Company with effect from December 5, 2020. On his superannuation from PNB, he resigned from the directorship of the Company effective from May 1, 2021. In his place, the Board appointed Sh. Swarup Kumar Saha (DIN: 08963678), Executive Director, PNB, as Additional Director (Non-Executive & Non-Independent) with effect from June 18, 2021. In terms of Article 98(2) of Articles of Association of the Company, he is the Chairman of the Company.

Sh. Vishesh Kumar Srivastava (DIN: 07234326), Non-Executive & Non-Independent Director, resigned from the directorship of the Company with effect from June 19, 2021 upon withdrawal of his nomination by PNB. In his place, the Board on recommendation of Nomination and Remuneration Committee has appointed Sh. Ashutosh Choudhury (DIN: 09245804), Chief General Manager and Group Chief Risk Officer of PNB, as an Additional Director (Non-Executive and Non-Independent) on the Board of the Company effective from July 19, 2021.

Further, in accordance with the provisions of the Companies Act, 2013 and the Articles of Association of the Company, Sh. Vikas Goel (DIN: 08322541) shall retire by rotation in the ensuing Annual General Meeting and being eligible, offers himself for reappointment.

None of the Directors are debarred from holding the office of Director pursuant to order of SEBI or any other authority.

### Performance Evaluation

The Company has devised a policy for performance evaluation of Board of its own performance, Independent Directors, Non-Independent/Executive Directors and Board level Committees etc. as required under the provisions of the Companies Act, 2013 and SEBI Listing Regulations and also Guidance Note on Board Evaluation as prescribed by SEBI. The performance of all the Directors, the Board as a whole and its Committees was evaluated after seeking inputs from the directors based on the criteria and framework adopted by the Board. The



evaluation criteria are based on the Guidance Note on Board Evaluation issued by the Securities and Exchange Board of India on January 5, 2017.

In a separate meeting of independent directors, performance of non-independent directors, the board as a whole and the Chairman of the Company was evaluated, taking into account the views of executive directors and non-executive directors.

The Board and the Nomination and Remuneration Committee reviewed the performance of individual directors on the basis of criteria such as the contribution of the individual director to the board and committee meetings like preparedness on the issues to be discussed, meaningful and constructive contribution and inputs in meetings, etc.

In the Board meeting and meeting of Nomination and Remuneration Committee, the performance of the board, its committees, and individual directors was also discussed. Performance evaluation of independent directors was done by the entire board, excluding the independent director being evaluated. The outcome of such evaluation was found satisfactory.

Copy of said policy, inter-alia, containing the process and criteria for evaluation is available at Company's website at the link <https://www.pnbgilts.com/data/governance/1554113642.pdf>.

### **Familiarization programme**

The details of programme for familiarization of Independent Directors with the Company, their roles, rights, responsibilities in the Company, nature of industry in which the Company operates, business model of the Company and related matters are placed at Company's website at the link <https://www.pnbgilts.com/data/governance/1609736538.pdf>

Quarterly updates on relevant statutory changes are also circulated to the Directors.

### **Policy on Directors' Appointment and Remuneration etc.**

The policies of the Company on Directors' Appointment and Remuneration formulates the criteria for determining qualifications, competencies, positive attributes and independence of a Director and other matters like remuneration of directors, key managerial personnel, senior management and other employees. The policy relating to the remuneration of Directors, Key Managerial Personnel and other employees is framed with the object of attracting, retaining and motivating talent which is required to run the Company successfully. There was no change in the policies during FY 2020-21. The same are available on the website of the Company at the link: <https://www.pnbgilts.com/data/governance/1554113724.pdf> and <https://www.pnbgilts.com/data/governance/1554114440.pdf>.

### **Declaration by Independent Directors**

The Company has received declarations from all the Independent Directors confirming that they meet the criteria of independence as prescribed under the provisions of Companies Act, 2013 and SEBI Listing Regulations. In terms of Regulation 25(8) of the Listing Regulations, the Independent Directors have confirmed that they are not aware of any circumstance or situation, which exist or may be reasonably anticipated, that could impair or impact their ability to discharge their duties. The Board is of the opinion that the Independent Directors of the Company possess requisite qualifications, experience and expertise and they hold highest standards of integrity.

### **Business Responsibility Report**

Business Responsibility Report for the year under review, as stipulated under Regulation 34(2)(f) of SEBI Listing Regulations, forms part of the Annual Report.

## **3. OTHER DISCLOSURES –**

### **Details of Committees**

The details in relation to the composition of Audit Committee, Corporate Social Responsibility Committee have been given in Report on Corporate Governance forming part of Annual Report.

All the recommendations made by the Audit Committee during the year were accepted by the Board.

### **CSR Policy**

In line with the amendments to the Companies (CSR Policy) Amendment Rules, 2021 notified by the Ministry of Corporate Affairs in January 2021, the Company has amended its CSR policy. The CSR policy of the Company is available at Company's website at the link <https://www.pnbgilts.com/data/governance/1615288099.pdf>. The CSR activity of the Company is carried out as per the instructions of the Committee and Board. During the year 2020-21, the Company has spent 2 per cent of its average net profits of the three immediately preceding financial years on CSR activity.

The annual report on the CSR for the year 2020-21 in the prescribed format is presented at Annexure A to the Board's Report.

Other details of above said and other Committees of the Board are given in the 'Report on Corporate Governance' forming part of the Board's Report.

### **Whistle Blower Policy (including Vigil Mechanism)**

Your Company believes in conducting its affairs in a fair and transparent manner by adopting highest standards of professionalism, honesty, integrity and ethical behaviour. Your Company is committed to develop a culture where it is safe for directors and employees to raise concerns about any wrongful conduct.

The Board of Directors has approved a Whistle Blower Policy (including Vigil Mechanism), which provides a framework to promote a responsible and secure whistle blowing. It protects employees wishing to raise a concern about serious irregularities within the Company. The Audit Committee reviews the functioning of this mechanism and no employee / director has been denied access to the Audit Committee. During the year under review, no such matter has been reported to the Audit Committee. The said policy may be accessed on the Company's website at the link <https://pnbgilts.com/data/governance/1409222609.pdf>.

### **Contracts and Arrangements with Related Parties**

All the contracts/ arrangements/transactions entered by the company are in ordinary course of business and at arm's length (except those not at arm's length given in form AOC-2 at Annexure B). Company's Policy/SOP on Related party Transactions can be accessed at the Company's website at the link <https://www.pnbgilts.com/data/governance/1554113744.pdf>.

### **Subsidiaries**

The Company, being a RBI regulated Primary Dealer, is prohibited to form any subsidiary. As such, the Company has not formulated any policy for determining 'material' subsidiaries under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Further, since the Company is not having any subsidiary or associate or joint venture, it is not required to consolidate the financial statements in terms of Section 129 of the Companies Act, 2013 read with Rule 5 of the Companies (Accounts) Rules, 2014. However, the financial statements of the Company for FY 2020-21 had already been considered by its parent bank i.e. Punjab National Bank for the purpose of consolidation.

### **Directors' Responsibility Statement**

Pursuant to the requirements of Section 134(3)(c) of the Companies Act, 2013, your Directors confirm that:

- (a) in the preparation of the annual accounts for the year ended March 31, 2021, the applicable accounting standards read with the requirements set out under the Schedule III to Companies Act, 2013, have been followed and there are no material departures from the same;
- (b) the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2021 and of the profit and loss of the Company for the year ended on that date;
- (c) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in

accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

- (d) the Directors had prepared the annual accounts on a going concern basis;
- (e) the Directors had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and
- (f) the Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

### **Human Resource Management**

Your Company treats its human resources as one of its most important assets. To ensure good human resource management in the Company, the Company focuses on all the aspects of employee lifecycle. During their tenure in the Company, employees are motivated through various skill development and volunteering programmes. Recreational programmes are also conducted on regular basis so as to create stress-free environment. All the while, the Company also creates effective dialogues through various communication channels like face to face interactions so as to ensure that feedback reach the relevant teams. In house meetings and training sessions are also arranged to engage and develop the employees and to gather ideas around innovation.

The information required to be disclosed under Section 197(12) and Rule 5 (1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is provided at Annexure C.

The information required pursuant to Section 134 read with rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 shall be provided to the members upon specific request. In terms of Section 136 of the Act, the report and accounts are being sent to members excluding the information on employee's particulars which is available for inspection by the members at the registered office of the Company during business hours on working days of the Company up to the date of the ensuing General Meeting. Interested members may write to the Company. No employee is related to any Director of the Company.

### **Sexual Harassment at Workplace**

Your company has complied with provisions relating to the Sexual harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. The Company has constituted Internal Complaints Committee and has put in place a formal policy for prevention of sexual harassment of its employees at workplace. There were no pending complaints in the beginning of 2020-21 and no cases were filed pursuant to the said Act in the said financial year.

### **Particulars of Loans given, investment made, guarantees given and securities provided**

The information required to be disclosed under Section 134(3)(g) of the Companies Act, 2013 may be treated as 'Nil', as the Company is exempted under Section 186(11) of the Companies Act, 2013.

### **Annual Return**

As per Section 134(3)(a) of the Companies Act, 2013, the Annual Return referred to in Section 92(3) of the Companies Act, 2013 has been placed on the website of the Company and can be accessed at the Company's website at the link <https://www.pnbgilts.com/page.php?id=16>.

### **Deposits**

During the year ended March 31, 2021, 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, as amended from time to time.

### **Risk Management**

In terms of RBI guidelines for NBFCs and Primary Dealers, Risk Management Committee of the Board has been entrusted with the responsibility by the Board in laying down procedures for risk assessment and minimization. The Committee also reviews these procedures periodically to ensure that executive management

is implementing and controlling the risks through means of a properly defined risk framework. The composition of the said Committee and terms of reference are given in Report on Corporate Governance forming part of Annual Report.

The Company also has an Asset–Liability Committee (ALCO) of executives of the Company comprising of the Managing Director & CEO, CFO and other senior executives of the Company.

Risk Management Policy is reviewed annually by the Audit Committee and Risk Management Committee and on the basis of the recommendation of these Committees, the Board approves the same.

The Risk Management Committee, IT Strategy Committee and Audit Committee, on periodic basis, oversees all the risks that the Company faces such as strategic, financial, market, liquidity, security, property, IT, legal, regulatory and other identified risks alongwith the implementation of risk management policy. There is an adequate risk management infrastructure in place capable of addressing the possible risks. Thus, in the opinion of the Company, there are no such risks, which may threaten the existence of the Company.

### **Credit Ratings**

The Company has received the highest credit ratings from credit rating agencies – ICRA and CRISL as under –

- a. 'ICRA A1+' assigned to ₹ 1000 crore (enhanced from ₹ 500 crore to ₹ 1000 crore from June 16, 2020) Commercial Paper programme of the Company.
- b. 'CRISIL A1+' assigned to ₹ 1000 crore (enhanced from ₹ 500 crore to ₹ 1000 crore from June 17, 2020) Commercial Paper Programme of the Company.

During the year, your Company issued commercial papers and as on March 31, 2021, outstanding value of commercial papers of the Company was ₹ Nil.

During the FY 2020-21, the Company also obtained 'IND A1+' rating from India Ratings & Research Pvt. Ltd for R20bn Short-term bank loans (the limits are yet to be utilized).

### **Significant and material orders**

There are no significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and Company's operations in future.

### **Issue of Shares**

There was no issue of shares during the year neither with differential rights as to dividend, voting or otherwise nor to employees of the company.

### **Management Discussion and Analysis**

Management Discussion and Analysis comprising an overview of the financial results, operations/performance and future aspects forms part of this Board's Report.

### **Secretarial Standards**

The Company has complied with all applicable Secretarial Standards.

### **Non-applicability of Section 148 of Companies Act, 2013**

The Company is not required to maintain cost records in accordance with Section 148 of the Companies Act 2013.

## **4. AUDITORS, INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY**

### **Statutory Auditor**

The Comptroller and Auditor General of India had appointed M/s Rasool Singhal & Co., Chartered Accountants (Firm Reg. No. 500015N) as the Statutory Auditor of the Company for the financial year ended March 31, 2021. The report of the auditor is self-explanatory and does not call for any further comments. Pursuant to the provisions

of Section 143(12) of the Companies Act, 2013, the Statutory Auditor of the Company has not reported any incident of fraud during the FY 2020-21. The Auditor Report does not contain any qualification, reservation or adverse remark.

### **Secretarial Auditor**

The Board had appointed M/s Pranav Kumar & Associates, Company Secretaries, to conduct the Secretarial Audit for the financial year 2020-21. The Secretarial Audit Report for the financial year ended March 31, 2021 is annexed as Annexure D to this Report. The Report of the Secretarial Auditor forming part of the Annual Report, does not contain any qualification, reservation, adverse remark or disclaimer. The report of the auditor is self-explanatory and therefore do not call for any further comments.

### **Internal financial control systems and their adequacy**

The Company considers the internal control systems to be a very significant part of its Corporate Governance practices. Your Board has adopted the policies and procedures for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, prevention and detection of frauds etc. The Company's internal control systems are commensurate with the nature of its business and the size and complexity of its operations. These have been designed to provide reasonable assurance with regard to recording and providing reliable financial and operational information, complying with applicable statutes, safeguarding assets from unauthorized use, executing transactions with proper authorization and ensuring compliance with corporate policies. The Company has a well-defined delegation of power with authority limits for approving transactions/contracts including expenditure. Processes for formulating and reviewing annual and long term business plans have been laid down. M/s Rasool Singhal & Co, the statutory auditor of the Company has audited the financial statements included in this annual report and have issued a report on our internal control over financial reporting (as defined in section 143 of Companies Act 2013).

As a part of this control system, your Board appoints Internal Auditor and other auditors as well. Accordingly, these internal controls are routinely tested and certified by the auditors. For the year 2020-21, the Board appointed M/s Lodha & Co. as the Internal Auditor of the Company. The scope of Internal Audit included audit of treasury transactions on a monthly basis and reporting to the Audit Committee of the Board that the company has operated within the limits of various risk parameters laid down by the Board, Reserve Bank of India and other statutory authorities. Besides, the said firm also audited and reviewed the related party transactions on monthly basis and key business processes, including IT systems of the Company, on quarterly basis. All the reports of the Internal Auditor were submitted to the Audit Committee. Timeliness of submission of all the periodic statutory returns/forms etc. to regulatory bodies was also checked by the Internal Auditor. The Audit Committee reviews adequacy and effectiveness of the Company's internal control environment and monitors the implementation of audit recommendations, including those relating to strengthening of the Company's risk management policies and systems.

## **5. DETAILS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO**

The Company is a Primary Dealer as defined and regulated by the Reserve Bank of India and is not a manufacturing company, hence the particulars required to be disclosed with respect to conservation of energy and technology absorption in terms of Section 134(3)(m) of the Companies Act, 2013 and the Rules made thereunder are not applicable/ Nil.

However, every endeavor is made to ensure optimal use of energy, avoid wastages and conserve energy as far as possible. Some of these measures include switching off lights and computer systems when not in use, creating awareness among employees about the necessity of energy conservation etc. Your Company has installed the integrated treasury management software and RBI's Negotiated Dealing System with the help of The Institute for Development and Research in Banking Technology (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

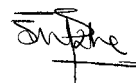
proactively manage any contingencies.

Your Company has neither used nor earned any foreign exchange during the year under review.

### **Acknowledgements**

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

**On behalf of Board of Directors**

A handwritten signature in black ink, appearing to read 'Swarup'.

**(Swarup Kumar Saha)**  
Chairman  
DIN: 08963678

Date : August 26, 2021

Place: New Delhi



**REPORT ON CSR ACTIVITIES/ INITIATIVES**

[Pursuant to Section 135 of the Act & Rules made thereunder]

**1. A brief outline of the company's CSR policy, including overview of the projects or programmes proposed to be undertaken and reference to the web-link to the CSR Policy and projects or programmes**

As a Responsible Corporate Citizen, PNB Gilts Ltd. endeavours to ensure an increased commitment at all levels in the organization to operate its business in an economically and socially sustainable manner, while recognising the interests of all its stakeholders and directly or indirectly taking up programmes that benefit the society at large. The Company has framed its Corporate Social Responsibility (CSR) Policy in compliance with the provisions of Companies Act, 2013, which outlines its CSR objectives and the manner in which it will be implemented. The CSR Policy of the Company is available at the link <https://www.pnbgilts.com/data/governance/1615288099.pdf>

During the year 2020-21, the Company took efforts and extended its support in in following areas/social issues:

- Ensuring promotion of education through installation of sports infrastructure for children including the underprivileged and below the poverty line.
- Under environment conservation, the company is focusing on restoration & rejuvenation of water shed area of south end (area B) of Biodiversity Park Sikanderpur in Aravali Hills. With the help of the partnered organisation and architect(s) deployed by them, the company intends to transform the dumping site to fitness trails with usage of earth work, civil work, masonry, creation of drainage systems, paving, bio-swale networking etc.
- Keeping in view the spread of Covid-19 in India, your Company contributed a sum of Rs. 100.00 lacs to PM Cares Fund.
- Your Company also contributed a sum of Rs. 69.10 lacs to Army Welfare CSR Fund for the benefit of armed forces veterans, war widows and their dependents.

**2. Composition of the CSR Committee**

The composition of the CSR Committee during FY 2020-21 was as under –

Name of Director	Designation/Nature of Directorship	Number of meetings of CSR Committee held during the year	Number of meetings of CSR Committee attended during the year
Sh. P. P. Pareek	Chairman, Independent & Non-Executive Director	1	1
Smt. Uma Ajay Relan	Member, Independent & Non-Executive Director	1	1
Dr. T. M. Bhasin	Member, Independent & Non-Executive Director	1	1
Sh. Vikas Goel	Member, Non-Independent & Executive Director	1	1

- Provide the web-link where Composition of CSR committee, CSR Policy and CSR projects approved by the board are disclosed on the website of the Company - <https://www.pnbgilts.com/data/shareholder/1624096599.pdf> and <https://www.pnbgilts.com/data/governance/1615288099.pdf> and <https://www.pnbgilts.com/data/governance/1628835141.pdf>.

4. Provide the details of Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, if applicable (attach the report) : Not Applicable.
5. Details of the amount available for set off in pursuance of sub-rule (3) of rule 7 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 and amount required for set off for the financial year, if any

Sl. No.	Financial Year	Amount available for set-off from preceding financial years (in ₹)	Amount required to be set-off for the financial year, if any (in ₹)
	-	Nil	Nil

6. Average Net Profit of the Company for last 3 financial years : ₹ 10394.78 lacs
7. (a) Two percent of average net profit of the Company as per section 135(5) : ₹ 207.91 lacs  
(b) Surplus arising out of the CSR projects or programmes or activities of the previous financial years : NIL  
(c) Amount required to be set off for the financial year, if any : NIL  
(d) Total CSR obligation for the financial year (7a+7b-7c) : ₹ 207.91 lacs
- 8 (a) CSR amount spent or unspent for the financial year:

Total Amount spent for the financial year (₹ in lacs)	Amount Unspent (₹ in lacs)				
	Total Amount transferred to Unspent CSR Account as per section 135(6)		Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5)		
	Amount	Date of Transfer	Name of Fund	Amount	Date of Transfer
207.91	Nil	-	-	Nil	-

(b) Details of CSR amount spent against ongoing projects for the financial year:

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	(9)	(10)	(11)	
S. No.	Name of the Project	Item from the list of activities in Schedule VII to the Act	Local area (Yes/No)	Location of the project		Project duration	Amount allocated for the project (₹ in lacs)	Amount spent in the current financial Year (₹ in lacs)	Amount transferred to Unspent CSR Account for the project as per Section 135 (6) (₹ in lacs)	Mode of Implementation - Direct (Yes/No)	Mode of Implementation - Through Implementing Agency	
				State	District						Name	CSR Registration Number
Nil												

(c) Details of CSR amount spent against other than ongoing projects for the financial year:

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	
S. No.	Name of the Project	Item from the list of activities in Schedule VII to the Act	Local area (Yes/No)	Location of the project		Amount spent for the project (₹ in lacs)	Mode of Implementation - Direct (Yes/No)	Mode of Implementation - Through Implementing Agency	
				State	District			Name	CSR Registration Number
1	Project for Supply, installation and commissioning infrastructure in St. Xavier's Sr. Sec. School, Delhi	(ii)	Yes	Delhi	Delhi	15.93	No	Delhi Xavier's 85 Charitable Trust	Not required

2	Project for eco restoration of waterbody and habitat conservation of watershed, Sikanderpur Village, Gurugram	(iv)	No	Haryana	Gurugram	22.88	No	I Am Gurgaon	CSR00000018
3	PM Cares Fund	(viii)	Yes	PAN India	PAN India	100.00	Yes	-	-
4	Army Welfare CSR Fund	(vi)	Yes	PAN India	PAN India	69.10	Yes	-	-

d. Amount spent in Administrative Overheads : Nil

e. Amount spent on Impact Assessment, if applicable: Not applicable.

f. Total amount spent for the Financial Year (8b+8c+8d+8e) : ₹ 207.91 lacs

g. Excess amount for set off, if any

Sl. No.	Particular	Amount (₹ in lacs)
Nil		

9. (a) Details of Unspent CSR amount for the preceding three financial years:

Sl. No.	Preceding Financial Year	Amount transferred to Unspent CSR Account under Section 135 (6) (₹ in lacs)	Amount spent in the reporting Financial Year (₹ in lacs)	Amount transferred to any fund specified under Schedule VII as per Section 135(6), if any			Amount remaining to be spent in succeeding financial years (₹ in lacs)
				Name of the Fund	Amount (₹ in lacs)	Date of Transfer	
Nil							

(b) Details of CSR amount spent in the financial year for ongoing projects of the preceding financial year(s):

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Sl. No.	Project ID	Name of the Project	Financial Year in which the project was commenced	Project duration	Total amount allocated for the project (₹ in lacs)	Amount spent on the project in the reporting Financial Year (₹ in lacs)	Cumulative amount spent at the end of reporting Financial Year (₹ in lacs)	Status of the project Completed/ Ongoing
Nil								

10. In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year (asset-wise details)

a. Date of creation or acquisition of the capital asset(s) : None

b. Amount of CSR spent for creation or acquisition of capital asset : NIL

c. Details of the entity or public authority or beneficiary under whose name such capital asset is registered, their address etc. : Not Applicable

d. Provide details of the capital asset(s) created or acquired (including complete address and location of the capital asset) : Not Applicable

11. Specify the reason(s), if the company has failed to spend two per cent of the average net profit as per Section 135(5): Not Applicable.

**On behalf of Board of Directors**

A stylized signature of Vikas Goel.

**(Vikas Goel)**  
Managing Director & CEO  
DIN: 08322541

A stylized signature of P.P. Pareek.

**(P.P. Pareek)**  
Chairman, CSR Committee  
DIN: 00615296

Date : August 26, 2021  
Place: New Delhi

**Form AOC-2**

Disclosure of particulars of contracts/arrangements entered into by the Company with related parties referred to in Sub-section (1) of Section 188 of the Companies Act, 2013 including certain arms length transactions under third proviso thereto:

- Details of contracts / arrangements or transactions entered into during the financial year ended March 31, 2021, which were not at arm's length basis :

1	Name(s) of the related party and nature of relationship	Punjab National Bank (PNB), parent bank	Punjab National Bank (PNB), parent bank	Punjab National Bank (PNB), parent bank	Punjab National Bank (PNB), parent bank
2	Nature of contracts/ arrangements/ transactions	Availing or rendering of any services	Leasing of property (residential premises)	Leasing of property (business premises)	Leasing of property (business premises)
3	Duration of the contracts / arrangements/ transactions	Mutual arrangement on continuous basis for holding various meetings like meetings of Board and its Committees, general meetings and other meetings of the company at the premises of PNB and vice-a-versa.	Residential Flats of the Company to PNB officers as per their entitlement in PNB for a period of 11 months, with two/more extensions.	Business premises from PNB taken on lease / rent sharing arrangement - Mumbai Branch Office: The lease for 5 years is effective from September, 2016, renewable after every five years.	Business premises from PNB taken on lease / rent sharing arrangement – Chennai Branch Office: The premises has been provided under a mutual rent sharing arrangement by PNB since 15.05.12 on the basis of area occupied.  The said premises has been taken by PNB on lease from Tamil Nadu Khadi and Village Industries Board, Tamil Nadu (State Govt. Department) for a period of 5 years (subject to continuation of their office at this place), extendable for a period as may be decided between the said Board and PNB.
4	Salient terms of the contracts or arrangements or transaction including the value, if any	Same is being done in view of parent- subsidiary relationship and on mutual understanding. No charges are being paid	Residential premises: Rent is as per the lease entitlement of PNB officers in PNB.	Mumbai Branch Office: Rent at present is ₹273434/- p.m. plus taxes	Chennai Branch Office: Rent at present is ₹ 12250/- p.m. plus taxes.  (The rent is subject to enhancement as may be done by abovesaid State Govt Department.)

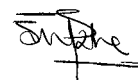
5	Justification for entering into such contracts or arrangements or transactions	The Company and parent bank are entering into these transactions due to its parent-subsidiary relationship.	The Company and parent bank are entering into these transactions due to its parent- subsidiary relationship. As a matter of policy, the Company does not enter such property related transactions with outside parties. Further, the Company will also be able to get their residential flats vacated at any time they need the same for their officers/ sale.	The Company and parent bank are entering into these transactions due to its parent-subsidiary relationship.	The Company and parent bank are entering into these transactions due to its parent-subsidiary relationship.
6	Date(s) of approval by the Board	03.08.2015	29.01.2015	26.10.2016	30.07.2016
7	Amount paid as advances, if any	Nil	Nil	Nil	Nil
8	Date on which the special resolution was passed in general meeting as required under first proviso to Section 188 of the Act	Not required as the same is below the limit specified under first proviso to Section 188 of the Companies Act, 2013 and Rules made thereunder	Not required as the same is below the limit specified under first proviso to Section 188 of the Companies Act, 2013 and Rules made thereunder	Not required as the same is below the limit specified under first proviso to Section 188 of the Companies Act, 2013 and Rules made thereunder	Not required as the same is below the limit specified under first proviso to Section 188 of the Companies Act, 2013 and Rules made thereunder

Above transactions are in ordinary course of business.

2. Details of material contracts or arrangement or transactions at arm's length basis –

There were no material contracts or arrangement or transactions entered into during the financial year ended March 31, 2021.

**On behalf of Board of Directors**



**(Swarup Kumar Saha)**  
Chairman  
DIN: 08963678

Date : August 26, 2021

Place: New Delhi



**Particulars of Employees**

Pursuant to the Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the information is furnished below:

- a. The ratio of the remuneration of each director to the median remuneration of the employees of the company for the financial year 2020-21

(₹ in lacs)

Sl. No	Name of Director	Director's Remuneration	Employee Median Remuneration	Ratio (No. of times)
1	Sh. A. K. Azad	-	25.77	-
2	Sh. P. P. Pareek	8.95		0.35
3	Sh. S. K. Kalra	11.30		0.44
4	Smt. Uma Ajay Relan	9.55		0.37
5	Dr. T. M. Bhasin	8.95		0.35
6	Sh. V. K. Srivastava	2.55		0.10
7	Sh. Vikas Goel	163.65*		6.35
8	Smt. Sunita Gupta	120.26* <sup>1</sup>		4.67

\* Above remuneration includes variable pay (Performance linked incentive) which is paid based on performance of the company and employee in the last financial year i.e. on deferred basis, as recommended by the Nomination & Remuneration Committee and approved by the Board. During 2020-21, a variable pay of ₹ 35 lacs (Prev. Year: ₹ 4.18 lacs on proportionate basis depending upon the period served during 2018-19) was paid to the Managing Director & CEO at Sl. No. 7 and to the then Executive Director & CFO at Sl. No. 8, a sum of ₹ 23.50 lacs (proportionately for the period from April 1, 2020 to August 31, 2020 i.e. for the period served during 2020-21) (Prev. Year: ₹ 9.28 lacs). Apart from this, benefit on account of superannuation benefits of leave encashment and gratuity which are provided based on actuarial valuation for the company as a whole, is also available.

1. During the year 2020-21, Smt. Sunita Gupta ceased to be Executive Director & CFO w.e.f. September 1, 2020. Thus the above remuneration paid to her also includes ₹ 69.06 lacs of leave encashment and gratuity paid on retirement.

Notes: 1. Directors at Sl. No. 2 to 6 are/were Non-Executive Directors and only sitting fee has been paid. Sitting fee of promoter director at Sl. No. 6 has been paid to Punjab National Bank, who is the promoter of the Company. No sitting fees has been paid to Non-Executive Promotor Director at Sl. No.1

2. Out of pocket expenses incurred by them for attending the meetings and GST not taken into account.

- b. The percentage increase in remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year:

Sl. No	Name of Director and Key Managerial Personnel	% increase in remuneration
1	Sh. A. K. Azad	-
2	Sh. P. P. Pareek*	57.02
3	Sh. S. K. Kalra*	18.95
4	Smt. Uma Ajay Relan*	NA
5	Dr. T. M. Bhasin*	NA
6	Sh. V.K. Srivastava*	NA
7	Sh. Vikas Goel	62.88
8	Smt. Sunita Gupta	NA
9	Sh. Chandra Prakash	NA
10	Smt. Monika Kochar	107.42**

\* received only sitting fee during the year. Sitting fee of promoter Director at Sl. No. 6 above has been paid to PNB.

\*\* includes payment of one-time leave encashment of ₹ 15.28 lacs to Sh. Vikash Goel and ₹17.82 lacs to Smt. Monika Kochar in respect of all outstanding privilege leaves as on 31.03.2021 on account of change in leave policy as approved by the Board during the FY 2020-21.

Note: Above remuneration includes variable pay (Performance linked incentive), which is paid based on performance of the company and employee in the last financial year i.e. on deferred basis, as recommended by the Nomination & Remuneration Committee and approved by the Board. During 2020-21, a variable pay of ₹ 35 lacs (Prev. Year: ₹ 4.18 lacs on proportionate basis depending upon the period served during 2018-19) was paid to the Managing Director & CEO at Sl. No. 7 and to the then Executive Director & CFO at Sl. No. 8, a sum of ₹ 23.50 lacs (proportionately for the period from April 1, 2020 to August 31, 2020 i.e. for the period served during 2020-21) (Prev. Year: ₹ 9.28 lacs). Apart from this, benefit on account of superannuation benefits of leave encashment and gratuity which are provided based on actuarial valuation for the company as a whole, is also available.

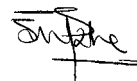
During the year 2020-21, Smt. Sunita Gupta ceased to be Executive Director & CFO w.e.f. September 1, 2020. Thus the above remuneration paid to her also includes ₹ 69.06 lacs of leave encashment and gratuity paid on retirement.

During 2020-21, Sh. S. K. Dubey, Ex-Managing Director, was also paid an amount of 2.09 lacs towards to & fro air tickets to USA as approved by the Board earlier in 2019 while recognizing his valuable contribution.

Except above, there was no increase in remuneration of other Directors as either they were not directors/KMP in FY 2019-20 or were appointed/ceased to be director/KMP during FY 2020-21. Further with respect to Non-Executive Directors (Sl. No. 2 and 3), increase in remuneration is on account of attending a higher number of Board/Committee meetings in which respective director is member during FY 2020-21 as opposed to FY 2019-20.

- c. In the financial year 2020-21, there was an increase of 65.98 per cent in the median remuneration of employees. This was majorly due to one-time leave encashment of all outstanding privilege leaves as on 31.03.2021 of all the employees on account of change in leave policy as approved by the Board during the FY 2020-21. This will reduce the leave liability of the company in future to a greater extent.
- d. Total number of employees of the Company as on March 31, 2021 were 41 (including 1 employee on deputation from parent bank). The Company has maintained peaceful and harmonious relations with all its employees.
- e. Average percentile increase already made in the salaries of employees other than the managerial personnel in FY 2020-21 was 73.17 per cent whereas the increase in managerial remuneration was 55.73 per cent in this period (as mentioned above in Sl. No. c above, the increase is majorly due to one-time leave encashment of all outstanding privilege leaves of all employees as on 31.03.2021). This was based on the recommendations of Nomination and Remuneration Committee, based on industry benchmarks and the respective employee's performance and contribution. The Company's remuneration philosophy is to ensure that it is competitive in the Primary Dealer (PD) industry in which it operates, for attracting and retaining the best talent. Further, the remuneration includes variable pay (Performance linked incentive) which is paid based on performance of the company and employee in the last financial year i.e. on deferred basis. The remuneration is in line with the PD industry benchmarks.
- f. It is hereby affirmed that the remuneration paid is as per the Remuneration policy of the Company.

**On behalf of Board of Directors**



**(Swarup Kumar Saha)**  
Chairman  
DIN: 08963678

Date : August 26, 2021

Place: New Delhi

**SECRETARIAL AUDIT REPORT  
FOR THE FINANCIAL YEAR ENDED MARCH 31, 2021**

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No.9 of the Companies  
(Appointment and Remuneration of Managerial Personnel) Rules, 2014]

**To,  
The Members,  
PNB Gilts Limited,  
5, Sansad Marg, New Delhi-110001**

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **PNB Gilts Limited** (hereinafter called “the Company”) for the audit period covering the financial year ended on March 31, 2021. Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company’s books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, the explanations and clarifications given to us and the representation made by the Management, we hereby report that in our opinion, the Company has, during the audit period under consideration complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2021, according to the provisions of:

- (i) The Companies Act, 2013 (“the Act”) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 (“SCRA”) and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the regulations and bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings - Not applicable to the Company during the audit period;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 (“SEBI Act”):-
  - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
  - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 – Not applicable to the Company during the audit period;
  - (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 – Not applicable to the Company during the audit period;
  - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 – Not applicable to the Company during the audit period;
  - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client – Not applicable to the Company during the audit period;
  - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 - Not applicable to the Company during the audit period;

- (h) The Securities and Exchange Board of India (Buy back of Securities) Regulations, 1998 – Not applicable to the Company during audit period
  - (i) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
  - (j) The Securities and Exchange Board of India (Intermediaries) Regulations, 2008; and
  - (k) The Securities and Exchange Board of India (Stock Brokers and Sub brokers) Regulations, 1992.
- (vi) Other laws applicable specifically to the Company are:
- (a) Reserve Bank of India Act, 1934 and guidelines made there under; and
  - (b) Master Directions/ Guidelines issued for NBFCs/Systemically Important Non-deposit taking Non-Banking Financial Companies (NBFC-ND-SI) and Primary Dealers by the Reserve Bank of India from time to time.

We have also examined compliance with the applicable clauses of the Secretarial Standards with respect to Meetings of Board of Directors (SS-1) and General Meetings (SS-2) issued by The Institute of Company Secretaries of India.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above and other applicable Acts.

We further report that, based on the information provided and the representation made by the Company and also on the review of the internal compliance reports taken on record by the Board of Directors of the Company, in our opinion, adequate systems and processes exist in the Company to monitor and ensure compliance with provisions of applicable industry specific Acts, general laws like labour laws and environmental laws etc.

During the audit period, there were no major events which had bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines etc. We report that during the period under consideration the Company has:

- i. Obtained approval of members by way of Special resolution passed through postal Ballot dated June 10th, 2020 under Section 180 (1) (c) of the Companies Act, 2013 to authorize the Board of Directors to borrow and raise such sum or sums of money in excess of aggregate of the paid-up share capital, securities premium and free reserves of the Company, provided that total amount borrowed at any point of time, apart from temporary loans obtained/to be obtained by the Company from its bankers in the ordinary course of business, shall not be in excess of Rs. 20000 crores over and above the aggregate of the paid up share capital, securities premium and free reserves of the Company..
- ii. Obtained approval of members by way of Special resolution for alteration in the Articles of Association of the Company under the provisions of the Companies Act, 2013.

#### **We further report that:-**

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-executive Directors, Independent Directors and Woman Director. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings; agenda and detailed notes on agenda were sent at least seven days in advance other than those held at shorter notice, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

All decisions at the Board Meetings and Committee Meetings were carried out with requisite majority as recorded in the minutes of the Meetings of the Board of Directors or Committee(s) of the Board as the case may be.

We further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

For **Pranav Kumar & Associates**  
Company Secretaries  
ICSI Unique Code: P2005BI010400

Date: 07/07/2021  
Place: Bhopal, M.P.

  
(**Arpita Saxena**)  
Partner

Mem. No : A23822, CP No.: 11962  
UDIN : A023822C000591378

*This report is to be read with our letter of even date which is annexed as Annexure 1 and forms an integral part of this report.*

#### **Annexure -1**

**To,  
The Members,  
PNB Gilts Limited,  
5, Sansad Marg, New Delhi-110001**

Our report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Wherever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.
7. Due to prevailing circumstance of COVID-19 pandemic, the audit was conducted based on the verification of the Company's books, papers, minutes books, forms and returns filed, documents and other records furnished by/ obtained from the Company electronically and also the information provided by the Company and its officers by audio and visual means.

For **Pranav Kumar & Associates**  
Company Secretaries  
ICSI Unique Code: P2005BI010400

Date: 07/07/2021  
Place: Bhopal, M.P.

  
(**Arpita Saxena**)  
Partner

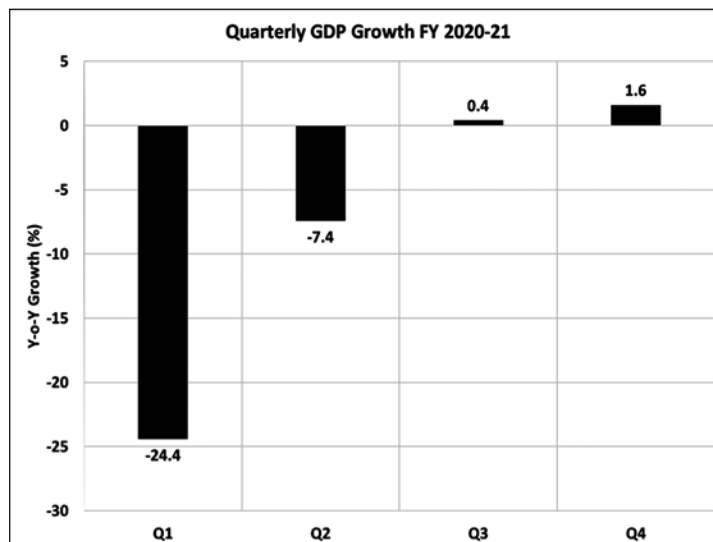
Mem. No : A23822, CP No.: 11962  
UDIN : A023822C000591378

## MANAGEMENT DISCUSSION AND ANALYSIS

### MACROECONOMIC REVIEW: FY 2020-21

#### Domestic Overview

The year 2020-21 will go down in history as the one that brought unparalleled pain and misery to the humankind, as the novel Coronavirus ravaged through the world, unabated and virulent, causing over 196 million infections and 4.2 million mortalities worldwide by end of July 2021. A crisis of this magnitude and the global lockdown imposed to contain the spread of the virus brought economic activity and global trade to a screeching halt as fear gripped nations. The Indian economy which was facing a cyclical slowdown before getting engulfed by the COVID crisis, plunged in to a full blown recessions as supply and trade faced severe disruptions amidst a global and nationwide lockdown. Domestic economic activity suffered gravely during Q1, as weakened demand, especially for services and supply imbalances, pushed GDP growth into deep negative territory. During Q1, real GDP contracted by 24.4 per cent y-o-y, the worst downtrend amongst the G20 nations. It was marked as the biggest contraction on record in Indian statistical history, where all the eight GDP segments, except for Agriculture, had seen major contractions, underpinned by the compression in demand and disruption in supply simultaneously. However, during Q2, the economy witnessed an ease in contraction with a 7.4 per cent figure, due to the lifting of restrictions, reopening of the economy and the various robust policy measures. After two consecutive quarters of contraction, the Q3 GDP grew by 0.4 per cent, while Q4 GDP grew more than expected by 1.6 per cent, pulling India out of a technical recession. The National Statistical Office (NSO) estimated a contraction of 7.3 per cent in the real GDP for the year 2020-21, the first contraction after four decades and the severest one.



During Q1, real GDP contracted by 24.4 per cent y-o-y, the worst downtrend amongst the G20 nations. It was marked as the biggest contraction on record in Indian statistical history, where all the eight GDP segments, except for Agriculture, had seen major contractions, underpinned by the compression in demand and disruption in supply simultaneously. However, during Q2, the economy witnessed an ease in contraction with a 7.4 per cent figure, due to the lifting of restrictions, reopening of the economy and the various robust policy measures. After two consecutive quarters of contraction, the Q3 GDP grew by 0.4 per cent, while Q4 GDP grew more than expected by 1.6 per cent, pulling India out of a technical recession. The National Statistical Office (NSO) estimated a contraction of 7.3 per cent in the real GDP for the year 2020-21, the first contraction after four decades and the severest one.

Gross Value Added (GVA) plunged by 6.2 per cent in FY 2020-21 as against a growth of 4.1 per cent in FY 2019-20, triggered by a downturn in the industrial and services sector. Private Final Consumption Expenditure (PFCE) slipped by 9.14 per cent witnessing the impact of the strict nationwide lockdown norms. The Gross Fixed Capital Formation (GFCF) sharply declined by 10.78 per cent in FY 2020-2021 reflecting a waning investment sentiment. Since the imports (-13.61 per cent) registered a sharp decline as against the exports (-4.68 per cent), the net exports showed a positive trend. Sector wise real GVA growth trends show that a majority of the sectors posted a negative growth. With a 3.6 per cent and 1.9 per cent real GVA growth in agriculture and utility services respectively, the two sectors proved their resilience during the time of pandemic. The construction sector shrank sharply (-8.6 per cent) driven by an inventory overhang in residential housing, and exacerbated by stressed liquidity and lockdown conditions. The mining and manufacturing sectors also shrank by 8.5 per cent and 7.2 per cent respectively. The contraction in the services sector (trade, hotels, transport, communication & broadcasting) of 18.2 per cent was unprecedented since the economy's independence. The contact-intensive sectors witnessed severe contractions due to disruption in consumer demand.

On the inflation front, the headline consumer price index (CPI) inflation remained stubbornly high, above RBI's upper tolerance band of the inflation target till November 2020. CPI inflation averaged at 6.20 per cent in FY 2020-21 as against 4.8 per cent in FY 2019-20. Lockdown induced supply disruptions, rise in fuel prices exacerbated cost-push prices in the economy, keeping inflation high during most part of the year.



## Forex Market

In April 2020, the Indian Rupee touched an all-time intra-low of ₹ 76.91 per USD in line with the pandemic and subdued economic activities. During the second quarter, the rupee registered an appreciation in line with the optimism over recovery and healthy FPI inflows. But in September 2020, it marked some losses due to the border tensions. Again in November 2020, with the announcement of development of COVID-19 vaccines, the rupee showed an uptick. The trend of appreciating bias continued towards the last quarter, supported by capital inflows from FPIs and merchants. Following the global risk averse sentiments post US bond sell-offs, expectations of higher inflation and low auction demand, the Rupee took a steep dip during the last week of February 2021. On the whole, the INR gained 3.5 per cent y-o-y but showed underperformance vis-a-vis other major Asian economies.

## Current Account Balance

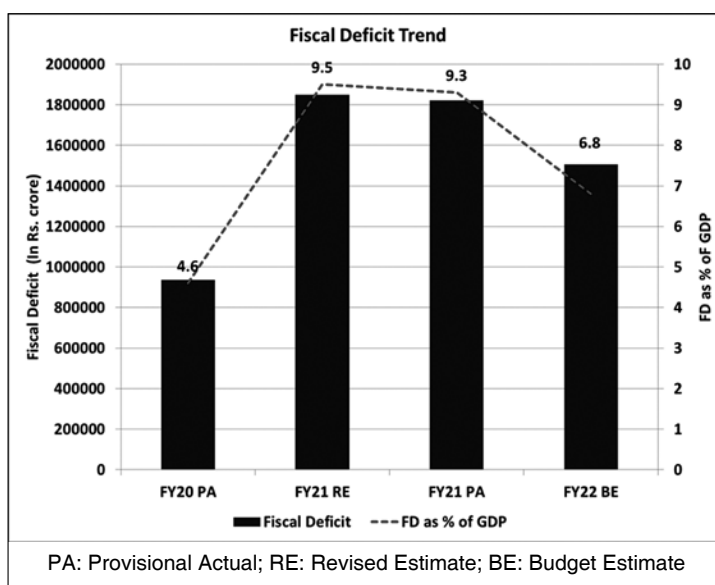
The current account recorded a surplus balance of 1.7 per cent during the period April-December FY 2020-21 as against last year's deficit of 1.2 per cent for the same period. This surplus was primarily on account of plunged import volumes, positive net terms of trade and the modest crude oil prices. The record surplus of Q3 went down during Q2, followed by a negative deficit during Q3. The easing contractions in both imports and exports and consequently, widening of the trade deficit gap underpinned the deficit recorded in the third quarter.

Under financial flows, the Foreign Direct Investment (FDI) and Foreign Portfolio Investment (FPI) recorded large inflows. Net FDIs were higher at 43.4 per cent in FY 2020-21 as against 43.0 per cent in FY 2019-20, flowing mainly into computer services (around 43.9 per cent). Outward FDI registered a y-o-y dip by 13 per cent. In spite of a sell-off in the debt segment during Q1 of FY 2020-21, the exposures of FPIs in the subsequent quarters resulted in total inflows of USD 37.1 billion during the year. Abundant liquidity due to easing monetary policies, optimism on vaccine development and fiscal stimulus in the US caused this upsurge in the EMEs. Financial services, software services and oil and gas were the 67 per cent recipient of the inflows. Cumulative FPI under Voluntary Retention Rule (VRR) amounted to USD 14.8 billion till March end, 2021. Net External Commercial Borrowings (ECBs) recorded at -0.6 per cent as against 21.7 per cent last year. Net International Investment Position (NIIP) i.e., the difference between a country's external financial assets and liabilities, improved by USD 34.6 billion during March 2020 to December 2020. India's foreign exchange reserves were placed at a robust USD 579.29 billion as on 26th March 2021, posting a growth of ~21 per cent y-o-y, buoyed by healthy FDIs and FPIs and current account surplus during the year.

## Fiscal Deficit

During FY 2020-21, the fiscal deficit reflected a nearly three-fold increase mainly due to a series of unplanned government expenditures towards the introduction of a number of relief packages, provision of liquidity, providing subsidies to units like Food Corporation of India (FCI) and other expenditures to contain the spread of pandemic and revive the economy. The gross fiscal deficit during FY 2020-21 was around 9.3 per cent (as per provisional figure by CGA) as against the base estimate of 3.5 per cent and the previous year's figure of 4.6 per cent.

In terms of monetary value for the Central government's total expenditure, the provisional actual stands at ₹ 35.11 lakh crore against the budget estimate of ₹ 30.42 lakh crore. The gross fiscal deficit for the upcoming FY 2021-22 is estimated at 6.8 per cent. The government plans to cover up the gap by the way of increasing the buoyancy of tax revenues and an ambitious disinvestment target of ₹1.75 lakh crore.



## Government Borrowings

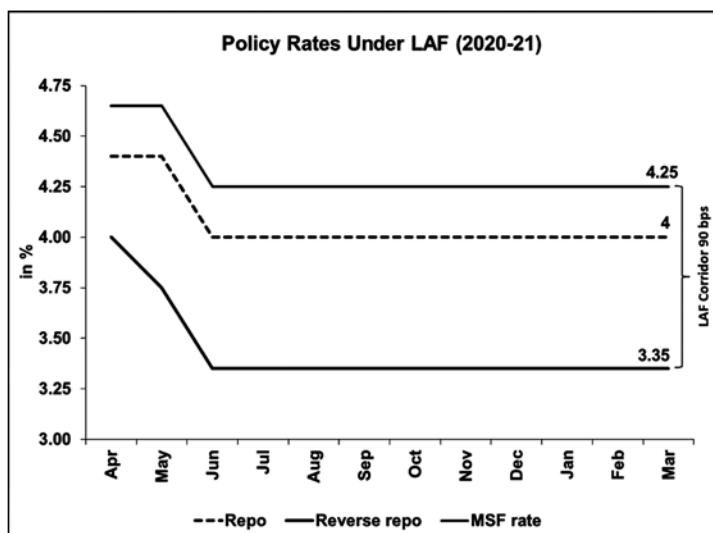
The gross market borrowings of the Centre surged to ₹13.7 lakh crore in the FY 2020-21, from the budgeted amount of ₹7.8 lakh crore. The planned borrowing was initially increased by ₹4.20 lakh crore, followed by two more additions of ₹1.10 lakh crore to meet the shortfall in GST compensation cess (under a special window given to the states and UTs) and ₹80,000 crore on February 1, 2021. The last auction of ₹20,000 crore was cancelled as Government cash balance remained healthy towards the end of the year. Nonetheless, the record borrowings by the government led to higher devolvement of ₹1.31 lakh crore on Primary Dealers during FY 2020-21 as compared to ₹3,606 crore in the previous year.

Irrespective of this big jump, the government was not only able to stick to its borrowing plan in an undisrupted fashion, but could also raise funds at a 17-year low weighted average cost (WAC) along with a higher weighted average maturity (WAM) of dated government securities. The injection of surplus liquidity in the system contributed towards the decline of weighted average yield (WAY) of G-sec issuances by 106 basis points to 5.79 per cent. In response to the adverse impact of the pandemic on the finances of the state, the Central Bank increased the Ways & Measures Advances (WMA) limit by 60 basis points in April 2020, which was initially extended till 31 March, 2021 and then further extended till 30 September 2021, following the recommendation of Advisory Committee on WMA to State Governments (2021). The combined gross borrowings of the Centre and the States shot up by 61.3 per cent to ₹21.69 lakh crore during FY 2020-21. Going forward, for FY 2021-22, the target for central government borrowings and the gross fiscal deficit stands at ₹12.05 lakh crore and 6.8 per cent respectively.

## Monetary Policy & Liquidity Management

The monetary policy and the liquidity framework throughout the year was directed towards mitigation of the impact of the pandemic via maintaining an ample system-level liquidity and targeted liquidity to support the vulnerable sectors of the economy. During the FY 2020-21, the system continued to be in surplus liquidity underpinned by the various monetary measures as well large capital inflows. On account of maintaining an accommodative stance, the policy repo rate and reverse repo rate were reduced by 40 bps to 4.0 per cent (down from 4.40 per cent) and 3.35 per cent (down from 3.75 per cent) in May 2020. The interest rate corridor was made asymmetrical with the reverse repo rate maintained at 90 bps below the bank rate in order to incentivize bank lending. RBI also resorted to unconventional liquidity boosting measure, primarily Operation Twists, LTRO and targeted LTROs to inject liquidity in the system and maintain financial system stability.

The FY 2020-21 witnessed nineteen auctions of operations twists (OTs). The total liquidity injected through 27 OMO auctions amounted to net purchases of ₹3.13 lakh crore. An on-tap 3-year liquidity window up to ₹1 lakh crore at a floating rate linked to policy rate was introduced in October 2020. Apart from this, the Reserve Bank also decided to conduct a special 3-year long term repo operations (SLTROs) of ₹10,000 crore for Small Finance banks, to be deployed for fresh lending of up to ₹10 lakh per borrower. Two 56-day term repo auctions were conducted amounting to ₹1 lakh crore at the existing repo rate during mid-September and two variable repo rate operations (11-day and 5-day tenors) were conducted to manage the year-end liquidity pressure. The total liquidity injection through above operations was ₹1,000 crore and ₹500 crore respectively. In the fourth quarter of the year, amidst record liquidity levels in the system, RBI announced to restore liquidity conditions towards normalcy in a phased manner. RBI conducted five variable rate reverse repo auctions of ₹2 lakh crore each from January 15, 2021 to March 12, 2021. RBI through its wide array of conventional and unconventional measures, helped in maintaining financial system stability and preventing systemic stress during the crisis.



## Treasury Bill Market

During FY 2020-21, the borrowings through T-Bills (Including CMBs of ₹80,000) stood at ₹14,90,000 crore. The cut-off yield on 91 DTB eased from 4.30 per cent in the beginning of the year to 3.32 per cent in the end, cut-off yield on 182 DTB declined from 4.58 per cent in beginning of the year to 3.47 per cent in the end and the cut-off yield on 364 DTB declined from 4.62 per cent in the beginning of the year to 3.83 per cent in the end. With the pandemic policies at work, sufficient liquidity prevailed in the market during the year, hence, which resulted in significant easing of short-term yields.

## Government Dated Securities

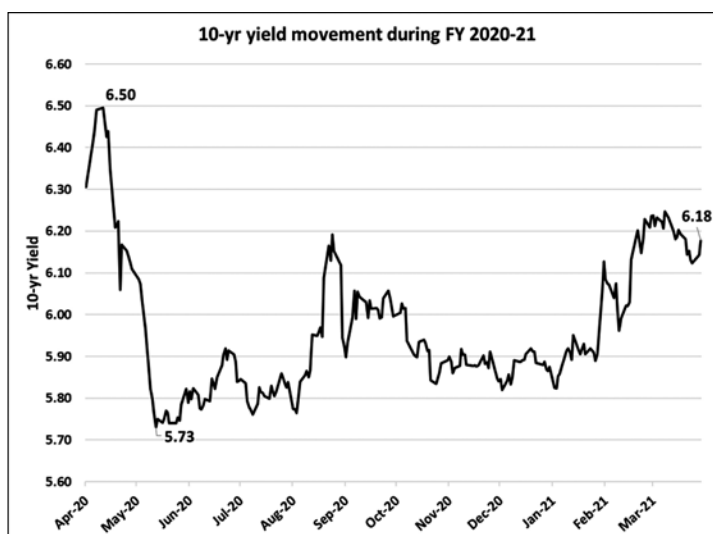
### Primary Market

During FY 2020-21, the gross borrowings through dated issuances stood was 93.0 per cent higher (stood at ₹13,75,654 crore), while net borrowings were 141.2 per cent higher than previous year. The weighted average maturity of issuances (excluding switch auction issuances) stood lower at 14.49 years during FY 2020-21 vis-a-vis 16.15 years in the previous year. The weighted average yield of dated securities issued during FY 2020-21 stood at 5.79 per cent as against 6.85 per cent in the previous fiscal.

### Secondary Market

The 10-year government securities yield firmed 4 bps to close the year (March 31, 2021) at 6.18 per cent as against 6.14 per cent last year (March 31, 2020). The average generic yields for both 5-year and 10-year tenors was recorded at record decadal-lows, which in return facilitated the non-disrupted government borrowing plan at a record low weighted average cost. Amid rising concerns over higher CPI inflation, higher government debt supply and a continued foreign portfolio investment in the debt segment, the excess liquidity in the market helped to keep the yields harboured.

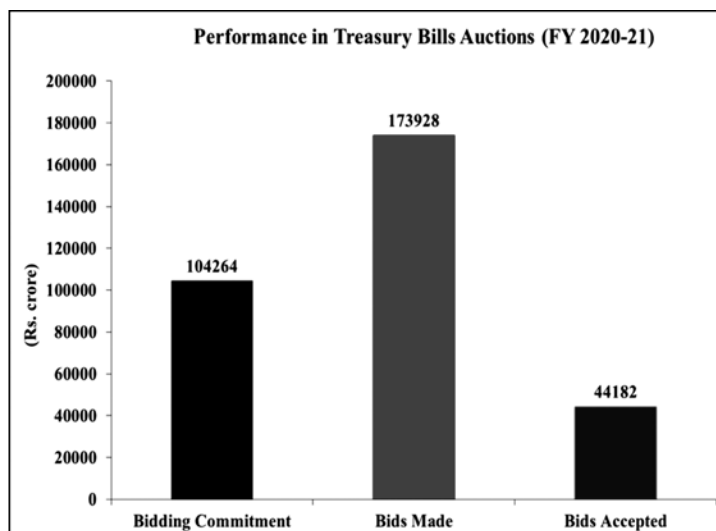
During Q1:2020-21, the 10-yr generic yield eased by 25 bps tracking the Reserve Bank's announcement of Statutory Liquidity Facility for Mutual Funds (SLF MF), ebbing crude oil prices and reduction in repo rate by 40 bps. In Q2: 2020-21, the generic G-sec yields shot up by 13 bps on the back of a neutral policy rate stance and a higher than expected CPI inflation. Later in August 2020, the lower than expected CPI inflation data release and a series of Reserve Bank's measures pulled down the yields again. This softening of yields continued till the next quarter triggered by an announcement of conduct of Open Market Operations (OMO) in State Development Loans (SDLs), expansion of OMO purchases, extension of held till maturity (HTM) benefit by one more year, upto March 2022. During Q4:2020-21, the G-sec yields at first eased owing to the buying support by Mutual Funds and Foreign banks. Thereafter, it bounced back and remained largely firm in response to announcement of additional government borrowings, the surge in US treasury yields and crude oil price rebound. To support the interest rates and maintain congenial conditions in the bond market, the OMO operations were expanded both in terms of size and frequency. During FY 2020-21, RBI purchased securities worth ₹ 3,02,132 crore through OMO auctions and another ₹ 2,07,163 crore through other operations. Besides, RBI also included SDLs under its OMO to improve liquidity. Such dynamic and extensive use of OMOs helped to maintain the risk appetite of the participants in the market, despite heavy primary market supplies of both central government securities and state development loans.



## COMPANY PERFORMANCE

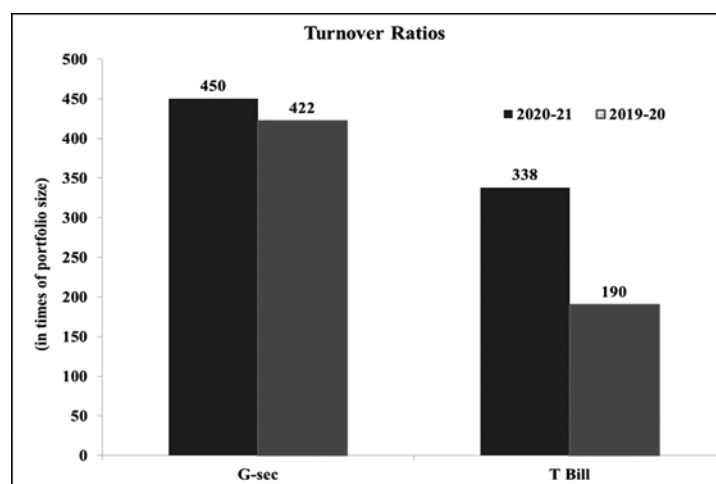
### Primary Market

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 FY 2020-21, the Company earned an underwriting commission of ₹ 15.91 crore as against previous year's commission of ₹ 1.46 crore. During the year, government securities aggregating ₹ 4635 crore were devolved on the Company. In treasury bill auctions, during the first half, GOI raised ₹ 9,55,000 crore as against ₹ 4,68,000 crore in the corresponding period of last fiscal. In the second half, GOI raised ₹ 4,55,000 crore through T-bills as against ₹ 4,29,000 crore raised in corresponding period of last fiscal. In order to tide over temporary cash flow mismatches, GOI issued CMBs aggregating ₹ 80,000 crore in FY 2020-21 as against ₹ 3,00,000 crore in FY 2019-20. Against these issuances of T-bills and CMBs, Company submitted bids aggregating to ₹ 1,73,928 crore against the commitment of ₹ 1,04,264 crore (being 7 per cent of notified amount). Out of this, bids amounting to ₹ 44,182 crore were accepted. Fulfilling its primary market commitment, Company achieved success ratio of 42.55 per cent and 41.98 per cent in H1 and H2 respectively in FY 2020-21, as against the statutory requirement of 40 per cent.



### Secondary Market

During FY 2020-21, total secondary market outright turnover registered by the Company stood at ₹ 5,77,210 crore as against ₹ 7,86,685 crore in FY 2019-20. The Central Government security segment recorded a turnover of ₹ 4,33,501 crore followed by SDLs which registered a turnover of ₹ 57,550 crore. Treasury bills recorded turnover of ₹ 47,826 crore. Company's total turnover ratio (secondary market) stands at 338 times for treasury bills and 450 times for government-dated securities as on March 31, 2021 against the minimum RBI stipulation of 10 times and 5 times respectively.

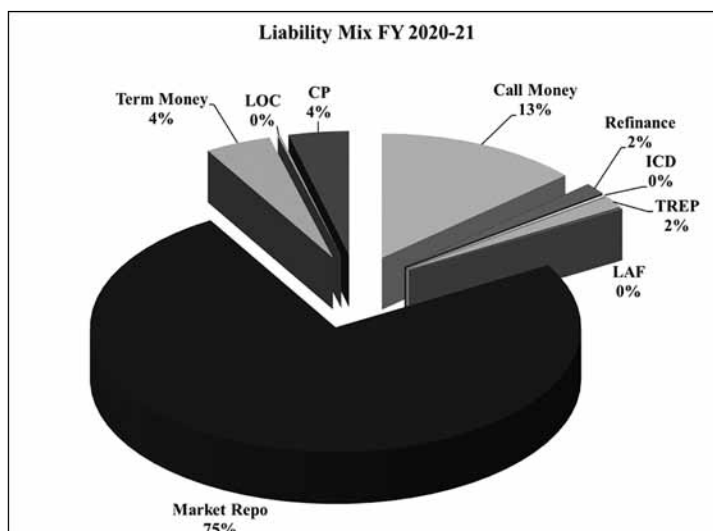


### Portfolio Size and Composition

With interest rate and liquidity environment turning favourable amidst sharp deceleration in economic activity, Company maintained an optimum level of portfolio, in order to take advantage of arbitrage as well as trading opportunities. During FY 2020-21, dated securities (central and state government) holding level averaged at ₹ 9301 crore (₹ 8166 crore in FY 2019-20) with peak holding level of ₹ 12,556 crore (₹ 10,707 crore in FY 2019-20). Daily average holding in T-bills during FY 2020-21 stood at ₹ 1765 crore (₹ 870.24 crore in FY 2019-20) whereas the peak holding in T-bills stood at ₹ 5089 crore (₹ 2938 crore in FY 2019-20).

## Liability Mix

During the year, the Company judiciously utilized different sources of borrowings viz. Call Money, TREP, Repo, LAF, etc. for active fund management. The average gross borrowings from all sources during FY 2020-21 amounted to ₹ 11,978 crores as against ₹ 9807 crores in FY 2019-20. During FY 2020-21, Company raised funds aggregating ₹ 1900 crore through issuance of Commercial Paper at weighted average rate of 3.55 per cent, with maximum outstanding not exceeding ₹ 1000 crore at any given point in time. The average leverage during FY 2020-21 was 10.41 times against 10.44 times in FY 2019-20, while the maximum leverage for the year stood at 15.16 times the NOF. The average cost of funds during FY 2020-21 stood at 3.30 per cent, lower than 5.28 per cent during FY 2019-20.



## Trading Stance & Financial Performance

During FY 2020-21, bond markets were positively affected by unprecedented monetary measures taken by the central bank to support economic recovery, favorable global factors and decline in commodity prices. However, market also witnessed significant fluctuation in yields throughout the year due to adverse factors such as sharp rise in inflationary pressures, surge in government fiscal deficit (to provide stimulus to the economy) and the resultant rise in government borrowings. During FY 2020-21, the yield on the benchmark 10-year security closed at 6.18 per cent after touching a high of 6.50 per cent versus 6.14 per cent in FY 2019-20.

(₹ in Crore)

Particulars	FY 2020-21	FY 2019-20	per cent change
Net Owned Fund	1305.69	1002.19	30.28
Profit Before Tax	614.35	249.81	145.93
Profit After Tax	454.12	186.35	143.69
Capital Adequacy Ratio (%)	45.58	32.47	40.38
Debt Equity Ratio	7.49	11.20	-33.13

Despite the operational challenges in the COVID era, swift changes and volatility in market environment, Company continued to function smoothly, fulfilling its regulatory mandates while posting record profitability during the year. During the year, Company re-oriented its trading and investment strategies to take advantage of the low funding cost environment, which helped it to earn robust net interest income. An active trading and hedging strategy helped Company post excellent trading profits during the year. Consequently, Company's profitability surged by 145.93 per cent during FY 2020-21 with PBT at ₹ 614.35 crore as on March 31, 2021 and PAT also increased to ₹ 454.12 crore i.e. 143.69 per cent. During FY 2020-21 trading income stood at ₹ 252.56 crore (₹ 111.50 crore in FY 2019-20) and net interest margin stood at ₹ 384.02 crore (₹ 247.19 crore in FY 2019-20) respectively. The NOF of the Company increased to ₹ 1305.69 crore as on March 31, 2021 as against ₹ 1002.19 crore as on March 31, 2020 due to a robust rise in profitability. Similarly, the rise in profitability also led to significant jump in Return on Net-worth for FY 2020-21 to 39.35 per cent as against 19.74 per cent for FY 2019-20. Due to an increase in Company's NOF, the overall debt to equity ratio stood lower at 7.49 as on 31st March 2021 as compared with 11.20 as on 31st March 2020.

Increase in NOF during FY 2020-21 also resulted in an improved capital adequacy ratio. The Company is adequately capitalized with capital adequacy ratio of 45.58 per cent as on March 31, 2021, against RBI's minimum stipulation of



15 per cent. Besides, robust risk management systems kept the Company's risk profile in check throughout the year.

### **Risk Management**

Company maintained a balanced composition of securities with an aim to maximize arbitrage income and also facilitate better trading opportunities. Risk management is a critical element of Company's trading business. The Company's mid-office is primarily responsible for formulating, reviewing and implementing the risk management policies, Value-at-Risk (VaR), PVBP limits, sensitivity analysis and cut-loss policies form the core of market risk management system. Impact of interest rate movements on the business and earnings profile, is mitigated by operating within a well-defined proactive stop loss limit and value-at-risk (VaR) limit. The Company also conducts sensitivity analysis of its portfolio to assess impact of parallel and non-parallel shifts in the yield curve on its earnings profile. Counterparty exposure limits and instrument-wise exposure limits were the primary tools used for managing the credit risk in the business. Similarly, well-established systems and procedures provided adequate defense against the operational risk.

### **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 by providing training suitable to individual requirements. Besides, in-house lectures and workshops are also conducted on a regular basis to stimulate healthy exchange of ideas. Apart from skill enhancement trainings, emphasis is laid on exercises that re-engage, rejuvenate the employees and develop better bonds between co-workers translating in better team dynamics in the Company. The details regarding employees are given in the Board's Report. Total number of employees of the Company as on March 31, 2021 were 41 (including 1 employee on deputation from parent bank). The Company has maintained peaceful and harmonious relations with all its employees. There were no material developments recently in the PD Industry.

### **Internal Control Systems**

The Company considers the internal control systems to be a very significant part of its Corporate Governance practices. Our Board has adopted the policies and procedures for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, prevention and detection of frauds etc. As a part of this control system, our Board appoints Internal Auditor as well. For the year 2020-21, the Board appointed M/s Lodha & Co., Chartered Accountants as the Internal Auditor of the Company. The scope of Internal Audit included audit of treasury transactions on a monthly basis and reporting to the Audit Committee of the Board that the Company has operated within the limits of various risk parameters laid down by the Board, Reserve Bank of India and other statutory authorities. Besides, the said firm also audited and reviewed the related party transactions on a monthly basis and key business processes, including IT systems of the Company on quarterly basis. All the reports of the Internal Auditor were submitted to the Audit Committee for necessary action.

### **Registration obtained from other financial sector regulators**

During the year, Company has not taken membership from any regulator.

### **Corporate Social Responsibility**

The Company's CSR initiatives focus on creating social values by contributing to the field of education, healthcare, environmental conservation etc. Company contributed ₹100 lakhs towards PM-CARES Fund, set up by Government of India for dealing with any kind of emergency or distress situation including the ongoing Covid-19 pandemic and ₹69.10 lakhs towards Army Welfare CSR Fund, which works towards the benefit of armed forces veterans, war widows and their dependents. The Company also contributed towards the field of education by contributing ₹15.93 lakhs to Delhi Xavier's 85 Charitable Trust, a registered trust, for repair and improvement of sports infrastructure for students at school. In the field of environmental conservation, Company contributed ₹22.88 lakhs to 'I Am Gurgaon', a registered society working in collaboration with municipal authorities of Gurugram for eco restoration of waterbody and habitat conservation of watershed, at Sikanderpur Village, Gurugram.

## Strengths, Weaknesses, Opportunities and Threat Analysis

### Strengths and Weaknesses

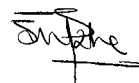
The Company is the only listed Primary Dealer in the country and has consistently displayed strong financial health. During previous year Company's NOF as on March 31, 2021 stood at ₹ 1305.69 crore. The Company operates with substantial Capital Adequacy Ratio (CAR) with comparatively low operational cost. CAR stood at 45.58 per cent for the year ended March 31, 2021. The Company has efficient risk management and research department responsible for monitoring, analysis and compliance with the latest IT infrastructure through which prudent analysis of portfolio is done on a regular basis. A strong compliance culture prevails across the organization, pursuant to its strategic goals of transparency and trust, among all its stakeholders. However, there are some constraining factors for Company like volatility in earnings because of interest rate movements and lack of diversity in revenue.

### Opportunities and Threats

FY 2020-21 provided significant opportunities in terms of benign interest rates and huge surplus liquidity, which the Company leveraged to post record profitability. The new FY 2021-22 is likely to be characterized with increased volatility in yields and rise in cost of funding for the Company as revival in economy and rising inflation may prompt RBI to restore normalcy in monetary policy and liquidity. On the other hand, fiscal policy is unlikely to throw any positive surprises, as government spending will continue to contribute largely towards economic growth. Inflation scenario continues to remain adverse as prices of commodities in the global markets as well as in domestic markets face upward pressure amidst shortage of supplies and gradual but definite turn of demand. These factors shall pose risks to Company's earnings in FY 2021-22. However, these threats may fail to manifest completely if resurgence of pandemic continues to disrupt economic activity, which may impact consumer and investment demand gravely, hence requiring growth supportive measures for a longer period of time. In such a scenario, the normalization of liquidity and rates by RBI may have to be pushed farther, till a tangible revival is witnessed.

In order to tide over the upcoming challenges and leverage the available opportunities in an efficient manner, the Company proposes to be actively engaged in trading profitable opportunities as well as stay focused on generating a healthy net interest income. Company, through its competent trading skills and strong risk management systems, shall endeavor to generate better risk-adjusted returns through view based and opportunistic trading. Company shall endeavor to enter into newer products in the fixed income markets, while also strengthen its position in the existing fund and non-fund activities as permitted by RBI.

On behalf of Board of Directors



(Swarup Kumar Saha)  
Chairman  
DIN: 08963678

Date : August 26, 2021

Place: New Delhi



## 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., maximization 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, 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.

### I **Board of Directors**

The Board of Directors is the apex body constituted by shareholders for overseeing the Company's overall functioning. The Board provides and evaluates the Company's strategic direction, management policies and their effectiveness, and ensures that shareholders' long term interests are being served. The Board has constituted various Committees at Board level namely Audit Committee, Nomination and Remuneration Committee, Corporate Social Responsibility Committee, Risk Management Committee, Stakeholders' Relationship Committee, Share Transfer & Issue of Duplicate Share Certificates Committee etc. The Board is authorized to constitute additional functional Committees, from time to time, depending on business needs. The Company's internal guidelines for Board and its Committee meetings facilitate the decision making process at its meetings in an informed and efficient manner.

#### 1 **Composition of the Board**

The composition of the Board of Directors is an optimum combination of executive and non- executive directors which fulfills the requirement as stipulated by the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("the Listing Regulations") on Corporate Governance. As on March 31, 2021, the Company has seven Directors, consisting of six Non-Executive Directors (out of which four are Independent Directors including a Woman Independent Director) and one Executive Director.

The members of the Board are from diverse background with requisite skills and experience in critical areas like finance, treasury, human resource, legal, management etc. The Board reviews its strength and composition from time to time to ensure that it remains aligned with the statutory as well as business requirements.

As on March 31, 2021, the composition of the Board was as follows –

**Sh. A. K. Azad<sup>1</sup>** (DIN: 08985570), Executive Director – Punjab National Bank (PNB), is the Non-Executive & Non-Independent Chairman of the Company. Prior to joining the Bank, he was General Manager at Bank of India. He is having rich experience of around 35 years in banking, credit, recovery, human resources, audit, compliance, risk management, treasury and international operations.

**Sh. P. P. Pareek** (DIN: 00615296), Independent Director, is a practicing Chartered Accountant. He is a senior partner of M/s S. Bhandari & Co. for the last 38 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 Rajasthan State Mines & Minerals Ltd.

**Sh. S. K. Kalra** (DIN: 01952165), Independent Director, is having a rich experience of around 36 years in treasury and credit management, financial services and banking operations etc. in the banking industry. He retired from Andhra Bank as Executive Director. Prior to Andhra Bank, he was General Manager, Treasury Division of Allahabad Bank. Presently, he is Director of CanFin Homes Limited.

**Smt. Uma Ajay Relan** (DIN: 07087902), Independent Director is having rich experience of around 33 years in credit and risk management with Citigroup in multiple geographies, various banking disciplines and diverse

*Ceased to be Director & Chairman of the Company w.e.f. 01.05.2021*

product groups. Presently, she is director of Bharti Axa Life Insurance Company Limited and Bharti Axa General Insurance Company Limited.

**Dr. T. M. Bhasin** (DIN: 03091429), Independent Director having experience of around 40 years in treasury, banking operations and vigilance matters etc. in the banking industry. He was also appointed as Vigilance Commissioner in Central Vigilance Commission of India. Prior to his appointment as Vigilance Commissioner in the Central Vigilance Commission (CVC) in 2015, Dr. T. M. Bhasin served as the Chairman and Managing Director of Indian Bank. Presently, he is director of IDBI Intech Limited, SBI Cards and Payment Services Limited, SBI Life Insurance Company Limited, PNB Housing Finance Limited, TMB Associates Private Limited and Ruchi Soya Industries Limited.

**Sh. V. K. Srivastava**<sup>2</sup> (DIN: 07234326), Non- Executive & Non-Independent Director, is Chief General Manager of PNB. He is having experience of around 30 years in risk management, administration, team management operations etc. He is director of PSB Alliance Private Limited (previously known as Cordex India Pvt. Ltd.).

**Sh. Vikas Goel** (DIN: 08322541) is the Managing Director and CEO of Company since February 2019. He has worked with three multi-national banks (American Express Bank, Credit Agricole Bank, and First Abu Dhabi Bank) in India for around 27 years in leadership roles in establishing and managing Global Market businesses, primarily the fixed income and currency asset class. He is Director on the Board of Primary Dealers' Association of India.

**Other information regarding the Board as on March 31, 2021 is given below:**

Name of the Director	Category	No. of other Directorships and other Committee Memberships/ Chairmanships <sup>1</sup>			Directorship in other listed entity (Category of Directorship)
		Directorships	Committee Memberships	Committee Chairmanships	
Sh. A. K. Azad	Non-Executive, Non-independent, Chairperson	1	1	-	Punjab National Bank (Executive Director)
Sh. P. P. Pareek	Non-Executive, Independent	2	1	-	-
Sh. S. K. Kalra	Non-Executive, Independent	1	-	-	CanFin Homes Limited (Independent Director)
Smt. Uma Ajay Relan	Non-Executive, Independent	2	2	-	-
Dr. T. M. Bhasin	Non-Executive, Independent	5	5	1	Independent Director of- <ul style="list-style-type: none"> <li>• Ruchi Soya Industries Limited</li> <li>• PNB Housing Finance Limited</li> <li>• SBI Life Insurance Company Limited</li> <li>• SBI Cards and Payment Services Limited</li> </ul>

*Ceased to be Director w.e.f 19.06.2021.*

Sh. V.K. Srivastava	Non-Executive & Non-Independent	1	-	-	-
Sh. Vikas Goel	Executive & Non-Independent	1	-	-	-

<sup>1</sup> In terms of Regulation 26 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, only two committees viz. the Audit Committee and the Stakeholders' Relationship Committee of public limited companies are considered for this purpose.

As on March 31, 2021, none of the Directors (except Sh. P. P. Pareek, who holds 1,333 equity shares of the Company) holds any shares / convertible instruments of the Company.

There is no inter-se relationship between the Directors.

### Familiarization Programme of the Independent Directors

The Company conducts familiarisation programme for Independent Directors with regard to their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, the business model of the Company etc. The familiarisation programme along with details of the same imparted to the Independent Directors during the year are available on the website of the Company at the link <https://www.pnbgilts.com/data/governance/1609736538.pdf>.

The Board has identified the following skills/expertise/ competencies fundamental for the effective functioning of the Company which are currently available with the Board:

Professional Competencies	
Business and Management experience	Experience in, or is able to demonstrate knowledge or expertise in, sound management and operational business processes and practices in the private or public sector.
Legal, technology etc.	Exposure in handling regulatory and technology matters or providing legal/regulatory/ technology advice and guidance to an organization.
Risk Management	Knowledge and experience in enterprise risk management in the relevant industry and understanding of the Board's role in the oversight of risk management principles.
Strategic Planning	Ability to generate and apply strategic thinking in regard to the unique business insights and opportunities of relevance to the organization.
Board service and Governance	Experience in Board governance practices in private or public sector. Understanding of roles and responsibilities of Board of a Company and responsibilities as Director.
HR	Experience in developing strategies or handling matter like development of talent and retention, succession planning and driving change and long term growth etc.
Finance	An understanding of financial statements and the accounting principles used by entities to prepare its financial statements; including the ability to assess the general application of such accounting principles in connection with the accounting for the company.
Banking	Experience in Credit/Treasury/ International Business etc. in banking industry.
Capital market	Strategic and operational understanding of the working of capital markets in order to provide oversight to management strategies.
Debt Market	Experience in driving Fixed Income, capital or any other market as may be permitted by Reserve Bank of India, from time to time, with an understanding of diverse business environments, economic conditions, regulatory frameworks and a broad perspective on Indian and/or Global market opportunities.
Diversity (gender, ethnic or others)	Representation of gender, ethnic, geographic, cultural or other perspectives that expand the Board's understanding of the needs and viewpoints of clients, employees, governments and other stakeholders.

Leadership	Ability to inspire, motivate and offer direction and leadership to others.
Analytical and visionary	Ability and aptitude of showcasing analytical and visionary skills towards the organization in the long term. Ability to work as part of a team, and demonstrate the passion and time to make a genuine and active contribution to the Board.
Commitment	Commitment to the organization, its Board, its culture, values and people.

In the below table, the specific areas of focus or expertise of individual Board members have been highlighted. However, the absence of mark against a member's name doesn't necessarily mean the member doesn't possess the corresponding qualification or skill.

	Sh. A. K. Azad	Sh. P. P. Pareek	Sh. S. K. Kalra	Smt. Uma Ajay Relan	Dr. T. M. Bhasin	Sh. V. K. Srivastava	Sh. Vikas Goel
Business and Management experience	✓	✓	✓	✓	✓	✓	✓
Legal, technology etc.	✓	✓	✓	✓	✓	✓	✓
Risk Management	✓	✓	✓	✓	✓	✓	✓
Strategic Planning	✓	✓	✓	✓	✓	✓	✓
Board service and Governance	✓	✓	✓	✓	✓	✓	✓
HR	✓	✓	✓	✓	✓	✓	✓
Finance	✓	✓	✓	✓	✓	✓	✓
Banking	✓	✓	✓	✓	✓	✓	✓
Capital market	✓	✓	✓	✓	✓	✓	✓
Debt Market	✓	✓	✓	✓	✓	✓	✓
Diversity (gender, ethnic or others)	✓	✓	✓	✓	✓	✓	✓
Leadership	✓	✓	✓	✓	✓	✓	✓
Analytical & visionary	✓	✓	✓	✓	✓	✓	✓
Commitment	✓	✓	✓	✓	✓	✓	✓

## 2. Independent Directors

**a. Performance Evaluation of Independent Directors:** The Company has devised a policy for performance evaluation of Independent Directors, Board, Committees and other individual Directors which includes criteria for performance evaluation of the Non-Executive Directors and Executive Directors. An indicative list of factors on which evaluation was carried out includes participation and contribution by a director, commitment, knowledge and competency, integrity and maintenance of confidentiality and independence of behavior and judgment. The outcome of such evaluation was found satisfactory.

**b. Confirmation on Independence of Independent Directors:** In terms of Regulation 25(8) of the Listing Regulations, all the independent directors of the company have confirmed that they are not aware of any circumstance or situation which exists or may be reasonably anticipated that could impair or impact their ability to discharge their duties. Based on the declarations received from the Independent Directors, the Board of Directors confirms that all the Independent Directors of the Company meet the criteria of independence as mentioned under Regulation 16(1)(b) of the Listing Regulations read with Section 149(6) of the Companies Act, 2013 and that they are independent of the management. A formal letter of appointment to Independent Directors as provided in Act has been issued and the draft of the same is disclosed in Investors Relations section on website of the Company viz. [www.pnbgilts.com](http://www.pnbgilts.com).

**c. Resignation by Independent Director during FY 2020-21:** No independent director resigned during the said year.

### 3. Meetings of the Board

During the year 2020-21, ten Board meetings were held on April 30, 2020, June 4, 2020, July 21, 2020, August 5, 2020, September 4, 2020, November 10, 2020, December 15, 2020, January 15, 2021, February 4, 2021 and February 24, 2021. The gap between any two meetings not exceeded 120 days as per the requirements of Regulation 17 (2) of the Listing Regulations.

Attendance record of the Directors in the above meetings and last AGM is as under:

Name of Director	No. of Board Meetings attended	Attended last AGM held on September 30, 2020
Sh. A. K. Azad <sup>1</sup>	4	N.A.
Sh. P. P. Pareek	10	Yes
Sh. S. K. Kalra	9	Yes
Smt. Uma Ajay Relan	9	Yes
Dr. T. M. Bhasin	10	Yes
Sh. V. K. Srivastava <sup>2</sup>	9	Yes
Sh. Vikas Goel	10	Yes
Smt. Sunita Gupta <sup>3</sup>	4	N.A.

1. Appointed as a Non-Executive and Non-Independent Director w.e.f. December 5, 2020. Upon completion of his superannuation from Punjab National Bank, he resigned from Chairmanship & Directorship of the Company w.e.f. May 1, 2021.

2. Resigned as a Non-Executive and Non-Independent Director w.e.f. June 19, 2021.

3. Upon her superannuation from the Company, she ceases to be Executive Director & CFO w.e.f. September 01, 2020.

### 4. Committees of the Board

#### (A) Audit Committee

The Audit Committee has been formed in pursuance of the Listing Regulations, Section 177 of the Companies Act, 2013 and RBI guidelines. The powers, role and terms of reference of the Audit Committee covers the areas as contemplated under Regulation 18 read with Part C to Schedule II of the Listing Regulations and Section 177 of the Companies Act, 2013, as applicable, besides other terms as referred by the Board of Directors.

The role, inter alia, includes oversight of Company's financial reporting process and disclosure of financial information to ensure that the financial statements are correct, sufficient and credible; recommending the appointment, re-appointment, remuneration and terms of appointment of auditors and approval of payment for any other services rendered by statutory auditors; reviewing with the management quarterly results and annual financial statements before submission to the Board for approval; approval or any subsequent modification of any transactions of the Company with related parties; review and monitor the auditor's independence and performance and effectiveness of audit process; evaluation of internal financial controls and risk management system; reviewing the functioning of the vigil mechanism / whistle blower policy; reviewing the compliance with provisions of Securities Exchange Board of India (Prevention of Insider Trading) Regulation, 2015 (including any amendment(s) or modification(s) from time to time) at least once in a financial year and verify that the systems for internal controls for ensuring compliance to these Regulations, are adequate and are operating effectively.

The Committee mandatorily reviews information such as internal audit reports related to internal control weakness (if any), management discussion and analysis of financial condition and result of operations, statement of related party transactions and such other matters as prescribed.

During the year 2020-21, seven meetings of the Committee were held on April 30, 2020, June 4, 2020, August 5, 2020, September 4, 2020, November 10, 2020, February 4, 2021 and February 24, 2021. The composition and attendance of Members is as under:

Names of Director	Position held in the Committee	No. of Committee Meetings attended
Sh. P. P. Pareek	Chairman	7
Sh. S. K. Kalra	Member	6
Smt. Uma Ajay Relan	Member	6
Dr. T. M. Bhasin	Member	7

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

All the recommendations made by the Audit Committee during the year were accepted by the Board.

## (B) Nomination and Remuneration Committee

The Nomination and Remuneration Committee is instrumental in identifying persons qualified to become Directors or part of senior management in accordance with the criteria laid down by the Board, to carry out evaluation of every Director's performance, to recommend to the Board a policy relating to the remuneration for the Directors, key managerial personnel and other employees and Board Diversity etc. The powers, role and terms of reference of the Nomination and Remuneration Committee covers the areas as contemplated under Regulation 19 read with Part D to Schedule II of the Listing Regulations, Section 178 of the Companies Act, 2013 and RBI's directions, besides other terms as referred by the Board of Directors.

The role of Nomination and Remuneration Committee, inter-alia, includes formulation of criteria for determining qualifications, positive attributes and independence of a director and recommending to the Board a policy relating to the remuneration for the directors, key managerial personnel and other employees; formulation of criteria for evaluation of Independent Directors and the Board; devising a policy on diversity of Board of Directors; and identification of persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommending to the Board their appointment, removal and noting their cessation; recommendation on extension or continuation of the terms of appointment of the Independent Directors; and recommendation to the Board of all remuneration, in whatever form, payable to senior management.

The Company is also having "Directors' Fit and Proper Policy" in place for ascertaining the 'fit and proper criteria' to be adopted at the time of appointment of Directors and on continuing basis, in line with the regulatory framework issued by RBI. Pursuant to the terms of reference, the said Committee deals with matter of the appointment / reappointment of Directors and their remuneration etc. and submits its recommendations to the Board for approval.

During the year 2020-21, five Committee meetings were held on April 29, 2020, July 21, 2020, December 15, 2020, January 5, 2021 and February 24, 2021. The composition of Committee and attendance of the Members is as under:

Name of Director	Position held in the Committee	No. of Committee Meetings attended
Sh. P. P. Pareek	Chairman	5
Sh. S. K. Kalra	Member	5
Smt. Uma Ajay Relan	Member	5
Sh. V. K. Srivastava <sup>1</sup>	Member	4

<sup>1</sup>Member of the Committee w.e.f. May 21, 2020. He ceased to be member of the Committee post his resignation w.e.f. June 19, 2021.

The details relating to remuneration of Directors and disclosure regarding Remuneration Policy, as required under Listing Regulations have been given under a separate section, viz. 'Directors' Remuneration' in this report.

## (C) Stakeholders' Relationship Committee

The role and responsibilities of the Stakeholders Relationship Committee are as prescribed under Section 178 of the Companies Act, 2013 and Regulation 20 of the Listing Regulations. The terms of reference of Stakeholders'



Relationship Committee, inter-alia includes, overseeing the redressal of stakeholders' grievances; to review the measures taken for effective exercise of voting rights by shareholders; review of adherence to the service standards adopted by the listed entity in respect of various services being rendered by the Registrar & Share Transfer Agent etc. During the year 2020-21, two meetings of the Committee were held on November 10, 2020 and February 24, 2021.

The composition of Stakeholders' Relationship Committee and the attendance of the Members is as under:

Names of Director	Position held in the Committee	No. of Committee Meetings attended
Smt. Uma Ajay Relan	Chairperson	2
Sh. P. P. Pareek	Member	2
Sh. Vikas Goel	Member	2
Smt. Sunita Gupta <sup>1</sup>	Member	N.A.

<sup>1</sup>Member of the Committee till her superannuation i.e. 31.08.2020.

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 FY 2020-21, the Company had received 51 complaints from the shareholders/ investors. All the complaints have been redressed to the satisfaction of the complainants.

No shareholder / investor complaint was pending as on the beginning of the financial year i.e. on April 1, 2020 as well as at the end of the financial year i.e. on March 31, 2021.

Company Secretary is the Compliance Officer of the said Committee.

#### (D) Corporate Social Responsibility (CSR) Committee

The CSR Committee discharges the role of Corporate Social Responsibility Committee under Section 135 of the Companies Act, 2013 which includes formulating and recommending to the Board, a Corporate Social Responsibility (CSR) Policy indicating the activities to be undertaken by the Company. During the year 2020-21, one CSR Committee meeting was held on February 24, 2021. The composition of the Committee and attendance of the Members is as under:

Names of Director	Position held in the Committee	No. of Committee Meetings attended
Sh. P. P. Pareek	Chairman	1
Smt. Uma Ajay Relan	Member	1
Dr. T. M. Bhasin	Member	1
Sh. Vikas Goel	Member	1

The terms of reference of the CSR Committee are as per the provisions of the Companies Act, 2013. A detailed Report on CSR activities/ initiatives is also attached with the Board's Report.

#### (E) Risk Management Committee

The Risk Management Committee framed in accordance with the RBI guidelines for Primary Dealers and NBFCs reviews the overall risk management plan and framework and recommend changes to ensure their adequacy. The Committee ensures that the Company is complying with the internal policies already documented, controls, and procedures concerning the operation of the risk measurement system.

The Board in its meeting held on June 22, 2021 has approved the terms of reference of Risk Management Committee, as defined in the Listing Regulations (amendment notified with effect from May 6, 2021). The role of Committee, inter-alia, include the following:



1. To formulate a detailed risk management policy which shall include:
  - a. A framework for identification of internal and external risks specifically faced by the listed entity, in particular including financial, operational, sectoral, sustainability (particularly, ESG related risks), information, cyber security risks or any other risk as may be determined by the Committee.
  - b. Measures for risk mitigation including systems and processes for internal control of identified risks.
  - c. Business continuity plan.
2. To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;
3. To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems;
4. To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;
5. To keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken;
6. The appointment, removal and terms of remuneration of the Chief Risk Officer (if any) shall be subject to review by the Risk Management Committee.
7. monitoring and reviewing of the risk management plan, cyber security function and such other functions as the Board may deem fit

During the year 2020-21, three Risk Management Committee meetings were held on April 28, 2020, August 24, 2020, and February 24, 2021. The composition of the Committee and attendance of the Members is as under:

Names of Director	Position held in the Committee	No. of Committee Meetings attended
Sh. S. K. Kalra	Chairman	3
Sh. V.K. Srivastava <sup>1</sup>	Member	2
Sh. Vikas Goel	Member	3
Smt. Sunita Gupta <sup>2</sup>	Member	2

<sup>1</sup>He ceased to be member of the committee post his resignation w.e.f. June 19, 2021

<sup>2</sup>Member of the Committee till her superannuation i.e. 31.08.2020.

#### (F) Share Transfer and Issue of Duplicate Share Certificates Committee

The Share transfer and issue of Duplicate Share certificate committee oversees, inter-alia, transmission of shares, issue of duplicate share certificate etc. besides other matters as referred by the Board of Directors. During the year 2020-21, twenty seven meetings of the said Committee were held on 3<sup>rd</sup>, 17<sup>th</sup> and 30<sup>th</sup> April, 2020, 14<sup>th</sup> and 28<sup>th</sup> May, 2020, 11<sup>th</sup> and 25<sup>th</sup> June, 2020, 9<sup>th</sup> and 23<sup>rd</sup> July, 2020, 6<sup>th</sup> and 20<sup>th</sup> August, 2020, 3<sup>rd</sup> and 17<sup>th</sup> September, 2020, 1<sup>st</sup>, 14<sup>th</sup> and 28<sup>th</sup> October, 2020, 11<sup>th</sup> and 25<sup>th</sup> November, 2020, 9<sup>th</sup> & 23<sup>rd</sup> December, 2020, 6<sup>th</sup> and 20<sup>th</sup> January, 2021, 3<sup>rd</sup> and 17<sup>th</sup> February, 2021, 3<sup>rd</sup>, 17<sup>th</sup> and 31<sup>st</sup> March, 2021.

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

Names of Director	Position held in the Committee	No. of Committee Meetings attended
Dr. T. M. Bhasin	Chairman	27
Sh. S. K. Kalra	Member	27
Smt. Uma Ajay Relan	Member	27
Sh. Vikas Goel	Member	26

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

W.e.f. July 12, 2021, the nomenclature of this Committee has been changed to Share Transmission and Issue of Duplicate Share Certificates Committee.

## II Directors' Remuneration

The Company's Remuneration Policy for Directors, Key Managerial Personnel and other employees is available on the website of the Company at the link: <https://www.pnbgilts.com/data/governance/1554113724.pdf>. There was no change in the policy during FY 2020-21. The Company's remuneration policy is directed towards rewarding performance based on achievement of results and attracting and retaining the best talent.

Matters of remuneration of Managing Director and Executive Director are considered by the Board of Directors of the Company, with the Interested Directors not participating. The terms of remuneration of these Directors are approved by the shareholders at the general body meeting. The details of remuneration paid to the Managing Director and Executive Director in the financial year 2020-21 are as under:

(₹ in lacs)

	<b>Sh. Vikas Goel, Managing Director &amp; CEO (April 1, 2020 to March 31, 2021)</b>	<b>Smt. Sunita Gupta Executive Director &amp; CFO (April 1, 2020 to August 31, 2020)</b>
Salary	118.01	23.86
Perquisites and allowances	4.70	2.40
Company's Contribution to PF	5.94	1.44
Performance Linked Incentive	35.00	23.50
Termination benefits	-	69.06

Above remuneration includes variable pay (Performance linked incentive) which is paid based on performance of the company and employee in the last financial year i.e. on deferred basis, as recommended by the Nomination & Remuneration Committee and approved by the Board. During 2020-21, variable pay of ₹ 35 lacs and ₹ 23.50 lacs (Prev. Year: ₹ 4.18 lacs and ₹ 9.28 lacs) was paid to Sh. Vikas Goel and Smt. Sunita Gupta, respectively.

Apart from above, benefit on account of leave encashment and gratuity which are provided based on actuarial valuation for the company as a whole, is also available.

The tenure of office of Managing Director & CEO is upto January 31, 2022.

Service conditions of the Managing Director & CEO are governed by the service regulations of the Company. As per Regulation 15(iii) of the service regulations, his services can be terminated by a notice period of 3 months. No other severance fees is payable.

The sitting fee payable to Non-Executive Directors (Independent or Non-Independent) is as under -

- For Chairman of Board for attending each meeting of Board, sitting fee shall be ₹ 50000/- and for other members of the Board, sitting fee shall be ₹ 40000/- per meeting.
- For Chairman of Audit Committee / Nomination & Remuneration Committee / CSR Committee / Risk Management Committee / CP Issue Committee / IT Strategy Committee, the sitting fee shall be ₹ 30000/- for attending each such committee meeting, whereas the member of the said committee shall be entitled for a sitting fee of ₹ 25000/- for attending each such committee meeting.
- Sitting fee for each Only Independent Directors' Meeting shall be ₹ 25000/- and for attending each meeting of (a) Share Transfer and Issue of Duplicate Shares Committee; and (b) Stakeholders' Relationship Committee, the sitting shall be ₹ 10000/-.

W.e.f. 15.12.2020, no sitting fee shall be payable to Non-Executive & Non-Independent Director.

In addition to the sitting fee, the Company also pays out of pocket expenses incurred by them for attending such meetings.

The details of sitting fee paid to Non-Executive Directors during the financial year 2020-21 are as under:

(in ₹ lacs)

Names of the Director	Sitting Fees**
Sh. A. K. Azad	-
Sh. P. P. Pareek	8.95
Sh. S. K. Kalra	11.30
Smt. Uma Ajay Relan	9.55
Dr. T. M. Bhasin	8.95
Sh. V. K. Srivastava*	2.50

\*Sitting fee payable to director has been paid to Punjab National Bank, who is the promoter of the Company. W.e.f. 15.12.2020, no sitting fee paid in respect of promoter directors.

\*\* Applicable GST paid extra. Out of pocket expenses incurred by them not taken into account.

No other remuneration or stock option is in place. Apart from the sitting fees and reimbursement of expenses, there were no other pecuniary relationship or transactions of the non-executive directors vis-à-vis the Company.

### III Resume of Directors Proposed to be Appointed / Re-Appointed

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

### IV Code of Conduct for Directors and Senior Management

The Code of Conduct for Directors and Senior Management of the Company has been posted at the Company's website ([www.pnbgilts.com](http://www.pnbgilts.com)). All the Board Members and Senior Management Personnel have affirmed the compliance of the said Code during the year 2020-21. A declaration of Managing Director to this effect is also appended to this report at Annexure A.

### V Certificate on Corporate Governance

As required under Schedule V of the Listing Regulations, a certificate from practicing company secretaries regarding compliance of conditions of corporate governance is appended to this report as Annexure B.

### VI CEO/CFO Certification

The Chief Executive Officer and Chief Financial Officer of the Company had submitted required certification to the Board along with the annual financial statements as per the provisions of Regulation 17(8) read with Para B of the Schedule II of the Listing Regulations.

### VII General Body Meetings

Location and time of last three Annual General Meetings (AGM) are as under:

Financial year	Venue	Date and time
2019-20	Meeting conducted through Video Conferencing pursuant to the MCA Circular(s)	September 30, 2020 at 1030 hrs

2018-19	Multi-Purpose Hall, Punjab National Bank, Head Office, Plot No. 4, Sector 10, Dwarka, New Delhi 110 075.	August 28, 2019 at 1030 hrs
2017-18		September 15, 2018 at 1100 hrs

In AGM held on September 15, 2018, no special resolution was passed. Two special resolutions were passed in the AGM held on August 28, 2019 i.e. for increase in borrowing powers of the company and for re-appointment of Sh. P.P. Pareek as an Independent Director for another term of five consecutive years. In the AGM held on September 30, 2020, a special resolution was passed for alteration of articles of the association of the company.

In May-June, 2020, your Company passed the following special resolution through postal ballot and the pattern of voting is given below. The Company had appointed Mr. Ankit Singhi, bearing CP No. 16274, failing him Mr. Nitesh Latwal, Practising Company Secretary, bearing CP No. 16276, Partners of M/s PI & Associates & Practising Company Secretaries as the Scrutinizer for conducting the postal ballot process.

Particulars of Resolution	Votes in favour of Resolution (No. of Equity Shares and % of Net Valid Votes)	Votes against Resolution (No. of Equity Shares and % of Net Valid Votes)
To increase the borrowing power of the Company	134190365 shares (99.9905%)	12754 shares (0.0095%)

Procedure followed in above postal ballot is as under –

The notices containing the proposed resolutions and explanatory statement were sent to the shareholders by email in accordance with MCA General Circular No.14/2020 dated 8th April, 2020 and General Circular No. 17/2020 dated 13th April, 2020. The evoting period was for 30 days from dispatch of notice. The Scrutinizer submitted the report to the Company on June 11, 2020.

The voting results were announced on June 11, 2020 i.e. within 48 hours of end of the evoting period. For evoting, the company is having agreement with National Securities Depository Limited ('NSDL') for providing e-voting facility to its shareholders. Under this facility, shareholders are provided an electronic platform to participate and vote on the resolutions to be passed through Postal Ballot.

As on the date of this report, no business is proposed to be conducted through postal ballot.

## VIII Management Discussion and Analysis

Management Discussion and Analysis has been given separately in the Annual Report.

## IX Disclosures

**a) Related Party Transactions:** During 2020-21, the Company did not enter into any 'materially significant related party transactions', which are considered to have potential conflict with the interests of the Company at large. None of Director is related to each other. The Company has formulated a policy on materiality of related party transactions and also on procedure for dealing with such transactions. The said policy is also available on the website of the Company at the link <https://www.pnbgilts.com/data/governance/1554113744.pdf>. Details of all related party transactions including transactions with PNB, promoter having shareholding of 74.07% in the company and others are given in Note No. 34 of the Financial Statements. No other entity is holding more than 1% of shareholding in the company.

**b) Compliance by the Company:** There has not been any non-compliance, penalties or strictures imposed on the Company by the Stock Exchanges, SEBI or any other statutory authority, on any matter relating to the capital markets during the last three years.

**c) Whistle Blower Policy/Vigil Mechanism:** The Company has put in place the Whistle Blower Policy (including Vigil Mechanism). The Audit Committee on time-to time basis reviews the functioning of the same and no person has been denied access to the Audit Committee. For further detail(s), please refer the Board's Report.

**d) Disclosures in relation to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 –**

- i. Number of complaints filed during FY 2020-21: Nil
- ii. Number of complaints disposed of during FY 2020-21: Nil
- iii. Number of complaints pending as on end of the FY 2020-21: Nil
- iv. No. of complaints pending at the beginning of FY 2020-21: Nil

**e) Commodity price risk or foreign exchange risk and hedging activities:** The Company does not deal in commodities and foreign exchange. Since there is no exposure in commodities and foreign exchange, the disclosure pursuant to SEBI Circular dated November 15, 2018 is not required to be given. Regarding, exposure in hedging activities, the Company is having exposure in Interest Rate Swaps and other derivatives. Details of the same are given in Note No. 5 of the Financial Statements.

**f) Certificate from Practicing Company Secretary as required under Part C of Schedule V of Listing Regulations:** A certificate has been received from M/s Ashu Gupta & Co., Company Secretaries, that none of the Directors on the Board of the Company has been debarred or disqualified from being appointed or continuing as directors of companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs or any such statutory authority. The certificate is annexed with this Report at Annexure C.

**g) Total fees paid to Statutory Auditors of the Company:** During 2020-21, a fee of ₹ 34.30 lacs plus GST thereon (totaling to ₹ 40.47 lacs) for all services, was paid by the Company to the statutory auditor and all entities in the network firm/network entity of which the statutory auditor is a part.

**h) List of Credit Ratings obtained and any revisions thereto for debt instruments or any fixed deposit programme or any scheme or proposal involving mobilization of funds, whether in India or abroad:** CRISIL and ICRA have rated commercial paper programme of the Company at A1+. The rating indicates highest safety. There was no revision in the said ratings during the year under review. During the FY 2020-21, the Company also obtained 'IND A1+' rating from India Ratings & Research Pvt. Ltd for R20bn Short-term bank loans (the limits are yet to be utilized).

#### **i) Others**

The Company is complying with all the mandatory requirements related to corporate governance under the Listing Regulations. Compliance with respect to non-mandatory requirement(s) under the Part E of Schedule II of said Regulations is also given in this report.

As per RBI guidelines, the Primary Dealers are not permitted to set up step-down subsidiaries. As such, the Company, being a Primary Dealer, has not formed any subsidiary and thus the policy for determining material subsidiary has not been framed.

The Company has complied with all the mandatory requirements specified in Regulations 17 to 27 (except Regulation 24 on corporate governance requirements with respect to subsidiary of listed entity, which is not applicable to the Company as it is not having any subsidiary company) and clauses (b) to (i) of sub-regulation (2) of Regulation 46 of the Listing Regulations.

## **X Means of communication**

### **Print**

The Company publishes unaudited quarterly financial results and half-yearly financial results reviewed by Statutory Auditor and audited annual financial results in one national daily newspaper circulating in the whole or substantially the whole of India in English language and in one daily newspaper published in the language of the

region, where the registered office of the Company is situated i.e. New Delhi. Generally, these are published in Financial Express and Jansatta or Business Standard - English and Business Standard - Hindi. Besides, notices of the Board Meetings for approval of the aforesaid results and other notices / communications were also published in the same newspapers.

### Internet

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

No presentations were made to institutional investors or to the analysts.

## XI General Shareholder Information

### 1. Annual General Meeting

Date and time	: September 20, 2021 at 11:00 a.m.
Venue	: Annual General Meeting through Video Conferencing
Financial Year	: April 1, 2020 to March 31, 2021
Record Date	: September 4, 2021
Dividend Payment Date	: Within 30 days of declaration in AGM.

### 2. Listing on Stock Exchange

: Listed in September, 2000

BSE Ltd., Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001.

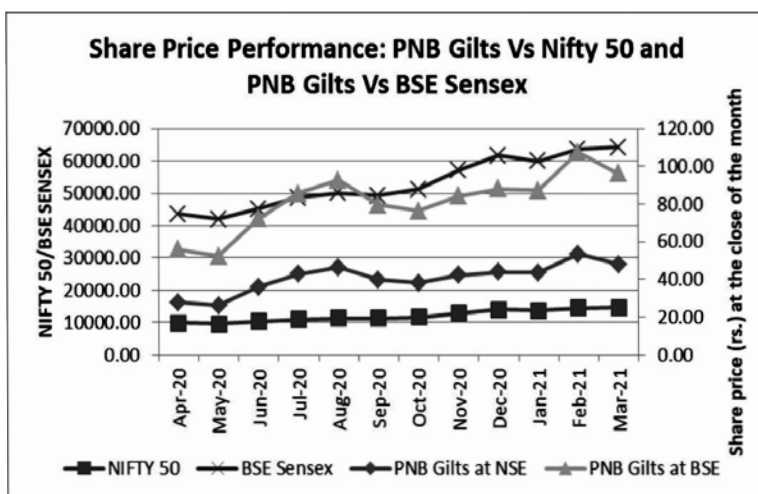
National Stock Exchange of India Ltd. Exchange Plaza, 5th Floor, Plot No. C/1, G - Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051.

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

### 3. Market Price Data: High/low share price data in each month during 2020-21 on the National Stock Exchange of India Ltd. and BSE Ltd. is given as under:

(₹)

	NSE		BSE	
Month	High	Low	High	Low
Apr-20	30.25	23.25	30.100	23.50
May-20	28.40	24.10	28.50	24.10
Jun-20	39.80	26.15	40.10	26.25
Jul-20	43.60	34.75	43.50	34.70
Aug-20	49.25	39.70	49.00	39.95
Sep-20	47.50	39.35	47.45	39.35
Oct-20	41.00	36.75	40.80	37.00
Nov-20	46.25	39.30	46.60	39.35
Dec-20	49.30	39.80	49.20	39.75
Jan-21	48.90	42.10	49.00	40.05
Feb-21	61.60	44.00	61.45	44.00
Mar-21	54.95	46.50	54.95	46.55



Source : NSE and BSE 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 B by BSE.



**The Stock Code at BSE and NSE is as under:**

BSE: 532366

NSE: PNBGILTS

**4. Share Transfer Agents:**

MCS Share Transfer Agent 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 : helpdeskdelhi@mcsregistrars.com

**5. Outstanding ADRs / GDRs / Warrants or any convertible instruments, conversion date and likely impact on equity:** Not applicable.

Further, during the financial year 2020-21, the Company has not raised the funds through preferential allotment or qualified institutions placement as specified under Regulation 32 (7A) of Listing Regulations.

**6. For the shareholders holding shares in physical form:** Investors' queries/requests for change in address/bank details, transmission, issue of duplicate share certificates, registration of e-mail IDs etc. may please be sent directly to MCS Share Transfer Agent Limited at the above address.

**7. For the shareholders holding shares in dematerialized form:** Shareholders holding shares in electronic/dematerialized 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.

**8. 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 were received by the Company/Registrar in physical mode. For transfer/transmission of shares in physical mode, the Share Transfer and Issue of Duplicate Share Certificates Committee met every fortnight. In accordance with Regulation 40 of Listing Regulations, physical transfer of shares is prohibited with effect from April 1, 2019. 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 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.

**9. The Company is not in manufacturing industry and thus there are no plants of the Company.**

**• Distribution of Shareholding as on March 31, 2021**

No. of equity shares held	No. of Shareholders	% of Shareholders	No. of shares held	% of Shareholding
Upto 500	41090	77.87	6007380	3.34
501-1000	5767	10.93	4734811	2.63
1001-2000	2837	5.38	4392897	2.44
2001-3000	941	1.78	2453724	1.36
3001-4000	472	0.89	1721310	0.96
4001-5000	443	0.84	2111573	1.17
5001-10000	668	1.27	5010185	2.78
10001 and above	549	1.04	153578254	85.32
<b>Total</b>	<b>52767</b>	<b>100.00</b>	<b>180010134</b>	<b>100.00</b>



- Shareholding pattern as on March 31, 2021**

Particulars	No. of shares held	% of Shareholding
Promoter (PNB)	133333333	74.07
Financial Institutions, Other Banks, Mutual Funds/UTI and Insurance Companies	4244	0.00
Bodies Corporate, Trust & Foundations and NBFCs	2979866	1.66
Indian Public and Directors	41376311	22.99
NRIs and FPIs	2187471	1.21
Investor Education and Protection Fund Authority	128909	0.07
<b>Total</b>	<b>180010134</b>	<b>100.00</b>

- Glance at Equity History of the Company**

Date	Particulars of Issue	Number of Shares	Total Number of shares	Nominal value of Shares (₹ 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
July, 2013	Issue of Bonus shares in the ratio of 1:3	44992534	180010134	18001.01

- Dematerialisation of shares**

The shares of the Company are traded compulsorily in demat mode. As on March 31, 2021, 179604027 equity shares i.e. 99.77 per cent of the shareholding is in demat mode.

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

- Unclaimed dividend**

Dividends that are not claimed, within seven years from the date of its transfer to unpaid/unclaimed dividend account, will, in terms of the provisions of Section 124 of the Companies Act, 2013, be transferred to Investor Education and Protection Fund (IEPF) established by the Government. In respect of transfers made after coming into effect of the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 (as amended from time to time), shareholders will be entitled to claim the dividend transferred from IEPF in accordance with such procedure and on submission of such documents, as may be prescribed by the IEPF Authority.

The details of unclaimed dividend as on March 31, 2021 are as follows:

Financial Year	Amt of dividend (₹ in Lacs)	Unclaimed Dividend as on 31.3.2021 (₹ in Lacs)	Unclaimed dividend Percentage	Last date for making claim*	Last date for making transfer to IEPF
2013-14 (Final Dividend)	1620.09	6.84	0.42	1 <sup>st</sup> Oct 2021	31 <sup>st</sup> Oct 2021
2014-15 (Final Dividend)	2700.15	12.00	0.45	20 <sup>th</sup> Oct 2022	19 <sup>th</sup> Nov 2022
2015-16 (Final Dividend)	1980.11	8.99	0.45	19 <sup>th</sup> Oct 2023	18 <sup>th</sup> Nov 2023
2016-17 (Final Dividend)	4500.25	23.61	0.52	16 <sup>th</sup> Oct 2024	15 <sup>th</sup> Nov 2024
2017-18 (Final Dividend)	1800.10	8.94	0.50	15 <sup>th</sup> Oct 2025	14 <sup>th</sup> Nov 2025
2018-19 (Final Dividend)	2520.14	9.86	0.39	29 <sup>th</sup> Sep 2026	29 <sup>th</sup> Oct 2026
2019-20 (Final Dividend)	5400.30	18.43	0.34	30 <sup>th</sup> Oct 2027	29 <sup>th</sup> Nov 2027
2020-21 (Interim Dividend)	5400.30	19.46	0.36	13 <sup>th</sup> Dec 2027	12 <sup>th</sup> Jan, 2028
2020-21 (2 <sup>nd</sup> Interim Dividend)	7200.40	31.60	0.44	7 <sup>th</sup> Mar 2028	6 <sup>th</sup> Apr, 2028

\*The Company is regularly sending individual advice letters (along with format of indemnity bond) to shareholders for claiming their dividend(s) not claimed by them. It is hereby once again requested to shareholders who have not yet claimed the said dividend(s), to lodge their claim with the Company by submitting an application and an indemnity bond on or before the last date for making claim. A format of indemnity bond in this respect is also available at the Company's website ([www.pnbgilts.com](http://www.pnbgilts.com)).

In addition, as per above Rules, all the shares, in respect of which dividend has not been claimed by the shareholders for seven consecutive years, will also be transferred to IEPF. During the year 2020-21, the company had transferred 141 shares to IEPF Authority. The shareholders whose dividend/ shares has been transferred to the IEPF Authority can now claim their shares from the Authority by following the Refund Procedure as detailed on the website of IEPF Authority <http://www.iepf.gov.in/IEPF/corporates.html>.

For shares which are due for transfer in FY 2021-22, the Company has already sent a specific communication to the concerned shareholders at their address registered with the Company/Depository Participant, inter alia, providing the details of the shares liable for such transfer and for taking appropriate action. These details are also available on the Company's website ([www.pnbgilts.com](http://www.pnbgilts.com)).

- **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.
- The Board had accepted all the recommendations of the Board level Committees which are mandatorily required, in the FY 2020-21.

- ***The Company complies the following non-mandatory requirements under the Listing Regulations: -***

- 1. The Board**

Generally, the Chairman of the Board does not maintain his office at the expense of the Company.

- 2. Shareholder Rights**

The financial results are available on the website of the Company ([www.pnbgilts.com](http://www.pnbgilts.com)). Further, the results had also been published in Financial Express and Jansatta.

- 3. Audit Qualifications**

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

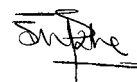
- 4. Reporting of Internal Auditor**

The Internal Auditor reports to Audit Committee through top management of the Company. The Internal Auditors participate and discuss freely in each meeting of the Audit Committee and the reports submitted by them, are discussed by the Audit Committee.

- ***Compliance Officer and contact details:***

Ms. Monika Kochar,  
Company Secretary and Sr. Vice President  
PNB Gilts Ltd.  
5, Sansad Marg New Delhi 110 001  
Tel : 011-23325759/ 23325779 Fax : 011-23325751  
Email : [pnbgilts@pnbgilts.com](mailto:pnbgilts@pnbgilts.com), [m.kochar@pnbgilts.com](mailto:m.kochar@pnbgilts.com)

**On behalf of Board of Directors**

A handwritten signature in black ink, appearing to read 'Swarup'.

**(Swarup Kumar Saha)**  
Chairman  
DIN: 08963678

Date : August 26, 2021  
Place: New Delhi

## DECLARATION

Annexure A

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

Dear Member,

It is hereby certified that as per the requirements of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, 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, Vikas Goel, 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 2020-21.

For and on behalf of Board of Directors



(Vikas Goel)

Managing Director & CEO  
DIN: 08322541

Dated : August 3, 2021  
Place : New Delhi

Annexure B

To  
The Members,  
PNB GILTS LIMITED  
5, Sansad Marg, New Delhi-110001

We have examined the compliance of conditions of Corporate Governance by **PNB GILTS LIMITED** ("the Company"), for the year ended on March 31, 2021, as stipulated in Regulations 17 to 27, clauses (b) to (i) of Regulation 46 (2) and para C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations").

The compliance of conditions of Corporate Governance is the responsibility of the Management of the Company. Our examination was limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of 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 our examination of the relevant records and the explanations given to us, and the representations made by the Directors and the Management and considering the relaxations granted by the Ministry of Corporate Affairs and Securities and Exchange Board of India on account of the COVID19 pandemic, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the SEBI Listing Regulations for the year ended March 31, 2021

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

For **Pranav Kumar & Associates**  
Company Secretaries



(Arpita Saxena)

Place: Bhopal, M.P.  
Partner

Date: July 7, 2021  
Place: Ghaziabad

Mem. No : A23822: CP No.: 11962  
UDIN : A023822C000591136

**CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS**

(PURSUANT TO REGULATION 34(3) AND SCHEDULE V PARA C CLAUSE (10)(I) OF THE SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015)

To,  
The Members of  
PNB GILTS LIMITED  
5, Sansad Marg,  
New Delhi- 110001

We have examined the relevant registers, records, forms, returns and disclosures received from the Directors of PNB GILTS LIMITED (hereinafter referred to as 'the Company') having Registered office at 5, Sansad Marg, New Delhi- 110001, produced before us by the company for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with Schedule V Para-C Sub-clause 10(i) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In our opinion and to the best of our information and according to the verifications (including Directors Identification Number (DIN) status at the portal [www.mca.gov.in](http://www.mca.gov.in), as considered necessary and explanations furnished to us by the Company & its directors, We hereby certify that none of the Directors on the Board of the Company as stated below for the Financial Year ending on 31st March, 2021, have been debarred or disqualified from being appointed or continuing as Directors of companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs, or any such other Statutory Authority :

Sr. No.	Name of Director	DIN	Date of appointment in Company
	Sh. Agyey Kumar Azad*	08985570	05/12/2020
1	Sh. Prem Prakash Pareek	00615296	10/02/2009
2	Sh. Satish Kumar Kalra	01952165	15/09/2018
3	Sh. Uma Ajay Relan	07087902	28/06/2019
4	Sh. Tejendra Mohan Bhasin	03091429	30/07/2019
5	Sh. Vishesh Kumar Srivastava#	07234326	30/07/2019
6	Sh. Vikas Goel	08322541	01/02/2019

\* Sh. Agyey Kumar Azad ceased from the directorship of the Company w.e.f. 01/05/2021.

# Sh. Vishesh Kumar Srivastava ceased from the directorship of the Company w.e.f. 19/06/2021.

Ensuring the eligibility for the appointment / continuity of every Director on the Board is the responsibility of the management of the Company. Our responsibility is to express an opinion on these based on our verification. This certificate is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **Ashu Gupta & Co.**  
Company Secretaries



**Ashu Gupta**  
(Prop.)

Place : New Delhi  
Date : 28.06.2021

FCS No.: 4123  
CP No. : 6646

**UDIN: F004123C000527107**

# Annual Business Responsibility Report

## Section A: General Information about the Company

1	Corporate Identity Number (CIN) of the Company	L74899DL1996PLC077120
2	Name of the Company	PNB Gilts Limited
3	Registered address	5, Sansad Marg, New Delhi – 110001
4	Website	www.pnbgilts.com
5	E-mail id	pnbgilts@pnbgilts.com
6	Financial Year reported	2020-21
7	Sector(s) that the Company is engaged in (industrial activity code-wise)	Securities Trading NIC Code – 6599
8	List three key products/services that the Company manufactures/provides (as in balance sheet)	a) Underwriting & bidding in primary auctions of Government Securities conducted by RBI. Acting as Arrangers to privately placed debt securities and non-convertible redeemable preference shares. a) Trading in Govt. Securities, Treasury Bills, money market instruments, NSLR etc. in secondary market. a) Handling of Constituent Subsidiary General Ledger (CSGL) Accounts.
9	Total number of locations where business activity is undertaken by the Company	
	i. Number of International Locations (Provide details of major 5)	None
	i. Number of National Locations	3 Branches and 1 Corporate Office
10	Markets served by the Company – Local/State/ National/International.	National

## Section B: Financial Details of the Company

1	Paid up Capital (INR)	₹ 18001.01 lacs
2	Total Turnover (INR)	₹ 339106.97 crore (of 2020-21)*
3	Total profit after taxes (INR)	₹ 45411.68 lacs (of 2020-21)
4	Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)	₹ 207.91 lacs. This is detailed in the Annual Report of CSR Activities, Annexure A to the Board's Report.
5	List the activities in which expenditure in 4 above has been incurred.	Please refer Annexure – A to the Board's Report.

\*above figure denotes sales turnover.

## Section C: Other Details

1	Does the Company have any Subsidiary Company/ Companies?	No
2	Do the Subsidiary Company/Companies participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s)	Not Applicable
3	Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with; participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [ Less than 30%, 30-60%, More than 60%]	No

## Section D: BR Information

### 1. Details of Director/Directors responsible for BR

S.No	Particulars	Details	
1	Details of the Director/Director responsible for implementation of the BR policy/policies	DIN	08322541
		Name	Mr. Vikas Goel
		Designation	Managing Director & CEO
2	Details of BR Head	DIN, if applicable	NA
		Name	Ms. Monika Kochar
		Designation	Company Secretary
		Telephone Number	011 – 23325759
		E-mail Id	m.kochar@pnbgilts.com

### 2. Principle-wise (as per NVGs) BR Policy/policies

The National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVGs) released by the Ministry of Corporate Affairs has adopted nine principles of Business Responsibility. These briefly are as follows:

P1	Business should conduct and govern themselves with Ethics, Transparency and Accountability
P2	Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle
P3	Businesses should promote the wellbeing of all employees
P4	Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized
P5	Businesses should respect and promote human rights
P6	Business should respect, protect and make efforts to restore the environment
P7	Businesses when engaged in influencing public and regulatory policy, should do so in a responsible manner
P8	Businesses should support inclusive growth and equitable development
P9	Businesses should engage with and provide value to their customers and consumers in a responsible manner

### 3. Details of Compliance (Reply in Y/N)

S.No	Questions	P 1	P 2	P 3	P 4	P 5	P 6	P 7	P 8	P 9
1.	Do you have policy/policies for....	Y	N.A.	Y	Y	Y	Y	Y	Y	Y
2.	Has the policy being formulated in consultation with the relevant stakeholders?	Y		Y	Y	Y	Y	Y	Y	Y
3.	Does the policy conform to any national/ international standards? If yes, specify? (50 words)	Y		Y	Y	Y	Y	Y	Y	Y
4.	Has the policy being approved by the Board? If yes, has it been signed by MD/owner/CEO/ appropriate Board Director?	Y		Y	Y	Y	Y	Y	Y	Y
5.	Does the company have a specified committee of the Board/ Director/Official to oversee the implementation of the policy?	The Company might not have specific committees to oversee some of these principles, however the Board is actively involved through various other committees i.e. Audit Committee, Nomination & Remuneration Committee, CSR Committee, Stakeholders Relationship Committee etc. to oversee these principles under various segments of business operations.								



6.	Indicate the link for the policy to be viewed online?	<a href="https://www.pnbgilts.com/data/governance/1599216408.pdf">https://www.pnbgilts.com/data/governance/1599216408.pdf</a>								
7.	Has the policy been formally communicated to all relevant internal and external stakeholders?	Yes, wherever appropriate.								
8.	Does the company have in-house structure to implement the policy/policies?	Y	N.A	Y	Y	Y	Y	Y	Y	Y
9.	Does the Company have a grievance redressal mechanism related to the policy/policies to address stakeholders' grievances related to the policy/policies?	Y		Y	Y	Y	Y	Y	Y	Y
10.	Has the company carried out independent audit/evaluation of the working of this policy by an internal or external agency?	The Company has not carried out a separate/specific independent audit of working of this policy. But the internal audit function of the Company periodically looks at the implementation of the policy, in general.								

#### 4. Governance related to BR

S.No	Particulars	Details
1	Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company. Within 3 months, 3- 6 months, Annually, More than 1 year	The Board of Directors of the Company, either directly or through its Committees, assesses various initiatives forming part of the BR performance of the Company on a periodic basis.
2	Does the Company publish a BR or Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?	Yes, the Business Responsibility Report is published as a part of the Annual Report and can be accessed at Company's website <a href="http://www.pnbgilts.com">www.pnbgilts.com</a>

#### Section E: Principle-wise performance

##### Principle 1

##### Business should conduct and govern themselves with ethics transparency and accountability

S.No	Particulars	Details
1	Does the policy relating to ethics, bribery and corruption cover only the company? Yes/No	Yes
2	Does it extend to the Group/Joint Ventures/ Suppliers/Contractors/ NGOs/Others?	No
3	How many stakeholder complaints have been received in the past Financial Year and what percentage was satisfactorily resolved by the management? If so, provide details thereof, in about 50 words or so	The Company received 51 investor complaints during 2020-21. With regard to Client and other stakeholders' complaints, the company has not received any complaint during the year 2020-21. It is of utmost importance to the Company to ensure that its stakeholders' concerns are resolved expeditiously. To this end, the Company is happy to report that all the reported complaints were resolved i.e. 100% resolved.

## Principle 2:

**Business should provide goods and services that are safe and contribute to sustainability throughout their life cycle.**

The Company is a Non -Banking Financial Company and is not engaged in a business concerning design of products and related activities that could raise economic risks and/or hazardous opportunities. Accordingly, keeping in view the business of the Company, the Company is not required to undertake product life cycle sustainability.

## Principle 3:

**Business should promote the well-being of all employees**

S.No	Particulars	Details
1	Please indicate the total number of employees	41
2	Please indicate the total number of employees hired on temporary/ contractual/ casual basis	-
3	Please indicate the Number of permanent women employees	17
4	Please indicate the Number of permanent employees with disabilities	Being an equal opportunity employer and following the law, the Company does not mandate disclosure of disability. No employee has voluntarily declared any disability.
5	Do you have an employee association that is recognised by management	There is no employee association
6	What percentages of your permanent employees are members of this recognised employee association?	Not Applicable
7	Please indicate the number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year.	No complaints relating to child labour, forced labour, involuntary labour and sexual harassment were received during the FY 2020-21.
8	What percentage of your under mentioned employees were given safety and skill up-gradation training in the last year?	
	a) Permanent Employees	59% ( 24 Employees)
	b) Permanent Women Employees	41% (17 Employees)
	c) Casual/Temporary/Contractual Employees	NA
	d) Employees with Disabilities	0%

#### Principle 4:

**Business should respect the interest of and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.**

S.No	Particulars	Details
1	Has the company mapped its internal and external stakeholders?	Yes, the Company's key stakeholders are promoters, employees, customers, business associates, investors (including shareholders), suppliers, regulatory agencies, CSR implementation agencies etc. The Company values the support of all its stakeholders and respects their interest and concerns. The Company has continuous engagement with its various stakeholders to understand their concerns, assess their requirements and respond to their needs in an effective manner.
2	Out of the above, has the company identified the disadvantaged, vulnerable and marginalized stakeholders	Yes, to certain extent. The Company through its CSR activities has partnered with implementing agencies towards projects aimed at underprivileged and marginalised sections of the society.
3	Are there any special initiatives taken by the Company to engage with the disadvantaged, vulnerable, and marginalized stakeholders? If so, provide details thereof, in about 50 words or so	Through its CSR initiatives, the Company is committed to design and implement projects that work toward socio-economic upliftment of underprivileged and marginalised sections of the society. In partnership with implementing agencies, the company has extended its support towards social issues like promotion of education etc. The Company also extended its support to Govt. towards handling of Covid-19 pandemic in the country.

#### Principle 5:

**Business should respect and promote human rights.**

S.No	Particulars	Details
1	Does the policy of the company on human rights cover only the company or extend to the Group/ Joint Ventures/Suppliers/ Contractors/ NGOs/ Others?	The Company appreciates and believes that human rights are inherent, universal, indivisible and interdependent in nature. The Company respects and promotes human rights for all individuals. The policies of the Company strive to ensure that the operations be conducted with honesty, integrity and openness with respect for human rights and interests of employees but the policies don't extend to Suppliers/ Contractors/NGOs/others etc. The Company respects and adheres to all the human rights laws framed under the Constitution of India. The Company treats every stakeholder with respect and dignity. Every customer, employee and other stakeholders beyond the workplace are treated with dignity irrespective of his/ her position. The Company will continue to conduct its business in a manner that respects the rights and dignity of all the people, complying with all legal requirements.

2	How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?	<p>The Company received 51 investor complaints during 2020-21. With regard to Client and other stakeholders' complaints, the company has not received any complaint during the year 2020-21.</p> <p>It is of utmost importance to the Company to ensure that its stakeholders' concerns are resolved expeditiously. To this end, the Company is happy to report that all the reported complaints were resolved i.e. 100% resolved.</p>
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**Principle 6:**

**Business should respect, protect and make efforts to restore the environment.**

S.No	Particulars	Details
1	Does the policy related to Principle 5 cover only the Company or extends to the Group/Joint Ventures/Suppliers/ Contractors /NGOs/others	The policy is applicable to the Company.
2	Does the Company have strategies / initiatives to address global environmental issues such as climate change, global warming, etc.? Y / N. If yes, please give hyperlink for webpage etc.	Not applicable, since the Company is engaged in Financial Activity.
3	Does the company identify and assess potential environmental risks? Y/N	Yes, the Company is aware of the direct and indirect environmental risks and considers them in decision making. The Company assesses the impact of potential environmental risks and has an active Business Continuity Plan (BCP) in case of exigencies/Natural Calamities.
4	Does the company have any project related to Clean Development Mechanism? If Yes, whether any environmental compliance report is filed	The Company does not have any project related to Clean Development Mechanism
5	Has the Company undertaken any other initiatives on – clean technology, energy efficiency, renewable energy, etc.?	All the initiatives of the company are towards clean technology. The Company deploys such hardware in its offices, which uses optimum energy and saves in energy consumption. The Air conditioning equipment is maintained regularly thereby saving energy and costs. The electronic devices are star rated, hence consume less energy. Regular efforts are made to conserve the energy, viz. use of low energy consuming LED lightings, switching of lights when not in use etc. are being encouraged.
6	Are the Emissions/Waste generated by the company within the permissible limits given by CPCB/SPCB for the financial year being reported?	Not applicable
7	Number of show cause/legal notices received from CPCB/SPCB which are pending (i.e. not resolved to satisfaction) as on end of Financial Year	Nil

## Principle 7:

**Business, when engaged in influencing public and regulatory policy, should do so in a responsible manner.**

S.No	Particulars	Details
1	Is your company a member of any trade and chamber or association? If Yes, Name only those major ones that your business deals with	Primary Dealers Association of India (PDAI) and The Fixed Income Money Market and Derivatives Association of India (FIMMDA)
2	Have you advocated/lobbied through above associations for the advancement or improvement of public good? Yes/No; if yes specify the broad areas (drop box: Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy security, Water, Food Security, Sustainable Business Principles, Others)	No

## Principle 8:

**Business should support inclusive growth and equitable development**

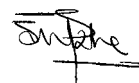
S.No	Particulars	Details
1	Does the company have specified programmes/ initiatives/projects in pursuit of the policy related to Principle 8? If yes details thereof.	Yes, as a responsible corporate citizen, PNB Gilts promotes sustainable and inclusive development. Some of its initiatives include promotion of education especially to below poverty line children, providing access to better health care services etc.
2	Are the programmes/projects undertaken through in-house team/own foundation/ external NGO/government structures/any other organization?	As part of the CSR interventions, the Company has partnered with various implementing agencies. In addition, the company also donates directly as well every year to either of Prime Minister's National Relief Fund/ PM Cares Fund / Swachh Bharat Kosh/Army Welfare CSR Fund. The Company is in the practice of making such donations in the areas/activities specified under Schedule VII of the Companies Act, 2013.
3	Have you done any impact assessment of your initiative	Not as yet, although the progress on the Company's CSR initiatives is periodically reviewed by the CSR Committee and the Board of Directors. The Company is in the process of establishing suitable framework to capture the impact (social/ economic and developmental) of its initiatives.
4	What is your Company's direct contribution to community development projects - Amount in INR and the details of the projects undertaken?	These are detailed in the Report on CSR Activities/ Initiatives i.e., Annexure A to the Board's Report.
5	Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words, or so.	At PNB Gilts, the CSR projects and programs are undertaken after identifying the need of the project and its implications. The Company has partnered with few Implementation Agencies having a regular track record, while extending its CSR contribution. The Company also monitors and regulates to ensure that its projects are being implemented effectively either through internal tracking mechanisms or field visits.

## Principle 9:

**Business should engage with and provide value to their customers and consumers in a responsible manner.**

S.No	Particulars	Details
1	What percentage of customer complaints/ consumer cases are pending as on the end of financial year.	Nil
2	Does the company display product information on the product label, over and above what is mandated as per local laws? Yes/No/N.A. / Remarks(additional information)	<p>The Company is a Primary Dealer, duly registered with Reserve Bank of India. The Company is permitted to maintain Constituent Subsidiary General Ledger account (CSGL account) with Reserve Bank of India for its clients, which is different from its own SGL account and used exclusively for maintaining Government securities of its constituents in dematerialized form. The transactions on behalf of constituents and the operations in the CSGL accounts are conducted in accordance with the guidelines issued by RBI on CSGL accounts.</p> <p>However, the Company provides Updates/statements in accordance with RBI guidelines to all its CSGL account holders.</p> <p>The Company does not sell any product, hence it is not applicable. However, the Company complies with all regulatory requirements relating to its business.</p>
3	Is there any case filed by any stakeholder against the company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as on end of financial year. If so, provide details thereof, in about 50 words or so.	No such instance.
4	Did your company carry out any consumer survey/ consumer satisfaction trends?	No

**On behalf of Board of Directors**



**(Swarup Kumar Saha)**  
Chairman  
DIN: 08963678

Date : August 26, 2021

Place: New Delhi

A 3D bar chart with seven bars of increasing height, rendered in a light gray color. A large, dark gray arrow points upwards and to the right, starting from the base of the first bar and extending above the top of the seventh bar. The text "FINANCIAL REVIEW" is centered over the chart.

# **FINANCIAL REVIEW**



## INDEPENDENT AUDITOR'S REPORT

To

**The Members of PNB Gilts Ltd,**

This revised Independent Auditor's Report is being issued in supersession of our earlier Independent Auditors' Report dated 22<sup>nd</sup> June 2021, at the instance of Comptroller & Auditor General (C&AG) of India. The revised report is being issued in view of certain modification in Annexure "B" of Companies Auditors Report Order 2016, as pointed out by C&AG of India in our earlier report. Further, we confirm that these changes do not affect true & fair view and our opinion as expressed earlier and also none of the figures have undergone any change in the Financial Statements of the Company as at 31<sup>st</sup> March 2021.

### Report on the Audit of the Ind AS Financial Statements

We have audited the accompanying financial statements of PNB Gilts Ltd. ("the Company"), which comprise the Balance Sheet as at 31st March 2021, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Cash Flow Statement for the year ended on that date and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the financial statements").

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2021, its profit, changes in equity and its cash flows for the year ended on that date.

### Basis for Opinion

We conducted our audit of the financial statements in accordance with the standards on Auditing as specified under section 143(10) of the Act (SAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are Independent to the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the independence requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Sr.No.	Key Audit Matter	Auditor's Response
1.	<p>Evaluation of uncertain income tax positions:</p> <p>The Company has material uncertain income tax positions including matters under dispute which involves significant judgment to determine the possible outcome of these disputes.</p>	<p>Principal Audit Procedures:</p> <p>Obtained detailed positions of tax assessments and demands from the management duly certified by the tax retainers of the Company. We involved our internal experts to challenge the management's</p>

	Refer Note 37 to the Financial Statements.	underlying assumptions in estimating the tax provision and the possible outcome of the disputes. Our internal experts also considered legal precedence and other rulings in evaluating management's position on these uncertain tax positions. Additionally, we considered the effect of new information in respect of uncertain tax positions as at the time of audit to evaluate whether any change was required to management's position on these uncertainties.
2.	<p>Classification and Valuation of Investments, Identification of and provisioning for Non-Performing Investments (Note 17 read with Note 30 to the financial Statements) Investments include investments made by the Company in various Government Securities, Bonds, Debentures, Shares, Security receipts and other approved securities. Investments constitute 89.83 per cent of the Company's total assets. These are governed by the circulars and directives of the RBI. These directions of RBI, inter-alia, cover valuation of investments, classification of investments, identification of non-performing investments, the corresponding non-recognition of income and provision there against. The valuation of unquoted investments and thinly traded investments is an area of inherent risk because of market volatility, unavailability of reliable prices and macro-economic uncertainty. Accordingly, our audit was focused on valuation of investments, classification, identification of non-performing investments and provisioning related to investments. The valuation of each category (type) of the aforesaid securities is to be done as per the method prescribed in circulars and directives issued by the RBI which involves collection of data/information from various sources such as FIMMDA rates, rates quoted on BSE/NSE, financial statements of unlisted companies etc. Considering the complexities and extent of judgment involved in the valuation, volume of transactions, investments on hand and degree of regulatory focus, we determined the above area as a Key Audit Matter.</p>	<p>Our audit approach towards Investments with reference to the RBI Circulars/directives included the understanding of internal controls and substantive audit procedures in relation to valuation, classification, identification of non-performing investments (NPIs), provisioning related to Investments. In our audit –</p> <p>a) We evaluated and understood the Company's internal control system to comply with relevant RBI guidelines regarding valuation and provisioning related to investments.</p> <p>b) For the selected sample of investments in hand, we tested accuracy and compliance with the RBI Master Circulars and directions by re-performing valuation.</p> <p>c) We assessed and evaluated the process of identification of NPIs and corresponding reversal of income and creation of provision;</p> <p>d) We carried out substantive audit procedures to re-compute independently the provision to be maintained in accordance with the circulars and directives of the RBI.</p> <p>Accordingly, we selected samples and tested for NPIs as per the RBI guidelines and recomputed the valuations and provision to be maintained in accordance with the RBI Circular for those selected sample.</p>

#### Information other than the Financial Statements and Auditor's Report thereon

The Company's Board of Directors is responsible for the preparation of the other information. The other information comprises the information included in the Management Discussion and Analysis, Board's Report including Annexures to Board's Report, Business Responsibility Report, Corporate Governance and Shareholder's Information, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

The Company's Management / Board of Directors is responsible for the matters stated in Section 134(5) of the Act, with respect to preparation and presentation of these financial statements that give a true and fair view of the financial position, financial performance, change in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in

(i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

1. As required by Section 143(3) of the Act, based on our audit we report that:

- We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- 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.
- The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flow dealt with by this Report are in agreement with the relevant books of account.
- In our opinion, the aforesaid financial statements comply with the Ind AS specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- On the basis of the written representations received from the directors as on March 31, 2021 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2021 from being appointed as a director in terms of Section 164 (2) of the Act.
- With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".
- With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended:

In our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Company to its directors during the year is in accordance with the provisions of section 197 of the Act.

- With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:
  - The Company has disclosed the impact of pending litigations on its financial position in its financial statements

- ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts.
  - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.
2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, we give in Annexure "B", a statement on the matters specified in paragraphs 3 and 4 of the Order.
3. As required by the Comptroller and Auditor General of India through directions issued under section 143(5) of the Act, we give a report in the attached Annexure "C".

For **Rasool Singhal & Co**  
Chartered Accountants  
(FRN: 500015N)

Sd/-

**(CA Akshay Goel)**

Partner

Membership No. 453555

UDIN: 21453555AAAAAY4040

Date : August 12, 2021

Place : New Delhi

## **“Annexure- A” to the Independent Auditor’s Report**

(Referred to in paragraph 1(f) under ‘Report on Other Legal and Regulatory Requirements’ section of our report to the Members of PNB Gilts Limited of even date)

### **Report on the Internal Financial Controls with reference to financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)**

We have audited the internal financial controls over financial reporting of **PNB Gilts Ltd.** (“the Company”) as of 31st March, 2021 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

#### **Management’s Responsibility for Internal Financial Controls**

The Board of Directors of the Company is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to respective company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

#### **Auditor’s Responsibility**

Our responsibility is to express an opinion on the internal financial controls over financial reporting of the Company based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company’s internal financial controls system over financial reporting.

#### **Meaning of Internal Financial Controls Over Financial Reporting**

A company’s internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal financial control over financial reporting includes those policies and procedures that-

Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;

Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and

Provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition

of the company's assets that could have a material effect on the financial statements.

#### Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

#### Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Company has in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2021, based on the internal control over financial reporting criteria approved by the Company's Board, considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **Rasool Singhal & Co**  
Chartered Accountants  
(FRN: 500015N)

Sd/-

**(CA Akshay Goel)**

Partner

Membership No. 453555  
UDIN: 21453555AAAAAY4040

Date : August 12, 2021

Place : New Delhi



## **“Annexure- B” to the Independent Auditor’s Report**

(Referred to in paragraph 2 under ‘Report on Other Legal and Regulatory Requirements’ section of our report to the Members of PNB Gilts Limited of even date).

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

- i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) As reported by the management of the company, the physical verification of its fixed assets is conducted by its own staff on quarterly basis for the head office and yearly for the branch offices. No discrepancies were reported during the physical verification of assets.
- (c) The Company owns 19 flats as immovable properties and 3 flats as Investment Properties. The title deeds of the flats are in the name of the company.
- (ii) The Company’s inventory comprising of Treasury Bills and Dated Government 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 by the management with the confirmation certificates received from Reserve Bank of India on a monthly basis. The stock of other securities held by the Company in de-materialized form with NSDL/SHCIL, is verified by the management with the confirmation certificates received from them on a monthly basis. In our opinion, the frequency of such verification is reasonable. No discrepancies were observed during the physical verification of inventory as compared to book records.
- (iii) The Company has not granted any loans secured or unsecured to companies, firms or other parties covered in the register maintained u/s 189 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 189 of the Act.
- (iv) According to the information and explanations given to us, no loans, investments, guarantees and securities have been given by the Company to concerns which are covered under section 185 of the Companies Act, 2013 and section 186 of the Companies Act, 2013.
- (v) According to the information and explanations given to us, the Company has not accepted any deposits from the public within the meaning of Section 73 to 76 of the Companies Act, 2013 or any other relevant provisions of the Companies Act, 2013 and rules framed there under.
- (vi) According to the information/explanations given to us, maintenance of the cost records for the products/services/activities of the Company has not been prescribed by the Central Government under Section 148(1) of the Companies Act, 2013.
- vii) (a) According to the information/explanations given to us, the Company is regular in depositing undisputed statutory dues including Provident fund, Employees’ State Insurance, Income Tax, Sales Tax, Service Tax, Duty of Customs, Duty of Excise, Value Added Tax, Cess and any other statutory dues to the appropriate authorities.
- (b) According to the information/explanations given to us, the Company has some disputes which have resulted into demands under the Income Tax Act, 1961 which have been not deposited. The details of which are given below:

(₹ in Lacs, unless otherwise stated)

Name of the Statute	Nature of the Dues	Amount Provided in the books and not paid	Amount not provided for and treated as contingent liability	Period to which the amount relates (Assessment Year)	Forum where dispute is pending	Remarks, if any
Income Tax Act, 1961	Income Tax Dues	0.40	3.59	2008-09	AO	--
Income Tax Act, 1961	Income Tax Dues	2.11	-	2009-10	AO	--
Income Tax Act, 1961	Income Tax Dues	200.91	-	2010-11	AO	--
Income Tax Act, 1961	Income Tax Dues	6.64	-	2011-12	AO	--
Income Tax Act, 1961	Income Tax Dues	4.76	-	2013-14	AO	--
Income Tax Act, 1961	Income Tax Dues	48.17	120.53	2016-17	CIT(A)	--
Income Tax Act, 1961	Income Tax Dues	9.95	31.57	2017-18	CIT(A)	--
Income Tax Act, 1961	Income Tax Dues	26.74	40.02	2018-19	CIT(A)	--
<b>Total</b>		<b>299.68</b>	<b>195.71</b>			

- (viii) According to the information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution or banks.
- (ix) According to the information and explanations given to us, the Company has not raised any money out of initial public offer or further public offer (including debt instruments). Term loans and short term borrowings through commercial paper, raised by the Company, were applied for the purposes for which those are raised.
- (x) 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.
- (xi) According to the information and explanations given to us, the managerial remuneration paid by the Company is in accordance with provisions of Section 197 read with Schedule V to the Companies Act, 2013. The Company has also taken requisite approvals as mandated by the provisions of section 197 in terms of managerial remuneration being paid.
- (xii) According to the information and explanations given to us, the Company is not a Nidhi Company, thus this para does not apply to it.
- (xiii) According to the information and explanations given to us, the Company has complied with requirements of section 177 of the Companies Act, 2013 and Section 188 of the Companies Act, 2013 in relation to the related parties. The Company has also disclosed the requirements as laid down in the accounting standards in the relation to the related parties in the financial statements in the note No. 34 Related Party Information.
- (xiv) According to the information and explanations given to us, the Company has not made any preferential

allotment or private placement of shares or convertible debentures during the year under review.

- (xv) According to the information and explanations given to us, the Company has not entered into any non-cash transactions with the Directors or persons connected with it during the year under review.
- (xvi) According to the information and explanations given to us, the Company is a NBFI already registered under section 45 I-A of the Reserve Bank of India Act, 1934.

For **Rasool Singhal & Co**  
Chartered Accountants  
(FRN: 500015N)

Date : August 12, 2021  
Place : New Delhi

Sd/-  
**(CA Akshay Goel)**  
Partner  
Membership No. 453555  
UDIN: 21453555AAAAAY4040

## Annexure 'C' to the Independent Auditor's Report

Directions indicating the areas to be examined by the Statutory Auditors during the course of audit of annual accounts of PNB Gilts Limited for the year 2020-21 issued by the Comptroller & Auditor General of India under Section 143 (5) of the Companies Act, 2013.

Sr. No.	Area Examined	Observations/Findings
1.	Whether the Company has system in place to process all the accounting transactions through IT system? If yes, the implications of processing of accounting transactions outside IT system on the integrity of the accounts along with the financial implications, if any, may be stated.	The Company has system of processing of accounting transactions partially through system with human intervention and partially by direct feeding manually. The implication of processing of accounting transactions outside IT system has no effect on the integrity of the accounts.
2.	Whether there is any restructuring of an existing loan or cases of waiver / write off of debts / loans / interest etc. made by a lender to the company due to the company's inability to repay the loan? If yes, the financial impact may be stated.	There is no case of restructuring / waiver/ write off of debts / loans / interest reported by the management and / or observed during our audit of the year.
3.	Whether funds received / receivable for specific schemes from Central / State agencies were properly accounted for / utilized as per its terms and condition? List the cases of deviations.	There is no case of funds received / receivable for specific schemes from Central / State agencies reported by the management and / or observed during our audit of the year.
4.	Whether the security controls for digital payment products and services are in compliance with the directions of RBI for Digital Payment Security Controls dated 18 February 2021?	The company is not dealing in any Digital Payment Product / Services and as such directions of RBI for Digital Payment Security Controls dated 18 February, 2021 are not applicable to the company.
5.	RBI provided a window (vide circular dated 6 August 2020) under the prudential framework to implement a resolution plan to borrowers having stress on account of Covid 19, as per which existing loans can be restructured without downgrading the asset classification. Are there any cases of restructuring involving the new provision and if so, are they in compliance with the RBI circular?	The Company has granted loans to its employees only and there is no case of restructuring of such loans as reported by the Management and observed by us during our audit.

**For Rasool Singhal & Co**  
Chartered Accountants  
(FRN: 500015N)

Sd/-

**(CA Akshay Goel)**

Partner

Membership No. 453555

UDIN: 21453555AAAAAY4040

Date : August 12, 2021

Place : New Delhi

## Non-Banking Financial Companies Auditor's Report for the Year Ended 31.03.2021

To  
The Board of Directors  
PNB Gilts Limited  
5, Sansad Marg, New Delhi-110001

In terms of Reserve Bank of India, Master Direction-Non Banking Financial Companies Auditor's Report (Reserve Bank) Directions, 2016 dated September 29, 2016 we report that –

The Company is engaged in the business of Non-Banking Financial Institution as Primary Dealer (PD). The Company has received Registration Certificate No.14.00007, 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. The Company is entitled to continue to hold Certificate of Registration in terms of its Principal Business criteria (financial asset/income pattern) as on March 31, 2021.

The Company is meeting the required net owned fund required in terms of Master Direction-Non-Banking Financial Company-Systemically Important Non-Deposit Taking Company and Deposit taking Company (Reserve bank) Directions, 2016.

A resolution for non-acceptance of any public deposits was passed in the meeting of the Board held on April 23, 2020 and the Company has not accepted any public deposits during the year ended March 31, 2021

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 in terms of Master Direction Non-Banking Financial Company-Systemically Important Non- Deposit Taking Company and Deposit taking Company (Reserve Bank) Directions, 2016.

The Company has correctly arrived at the Capital Adequacy Ratio (CRAR) 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. The Company has furnished the annual statement of Capital Fund, Risk Assets/Exposure and Risk Asset Ratio (NBS-7) within stipulated period to Reserve Bank of India.

For **Rasool Singhal & Co**  
Chartered Accountants  
(FRN: 500015N)



(**CA Akshay Goel**)

Partner

Membership No. 453555  
UDIN: 21453555AAAAAY4040

Date : June 22, 2021  
Place : New Delhi

## Comments of the Comptroller and Auditor General of India

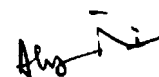
COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF PNB GILTS LIMITED FOR THE YEAR ENDED 31 MARCH 2021

The preparation of financial statements of PNB Gilts Limited for the year ended 31 March 2021 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (Act) is the responsibility of the management of the Company. The statutory auditor appointed by the Comptroller and Auditor General of India under section 139(5) of the Act is responsible for expressing opinion on the financial statements under section 143 of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Revised Audit Report dated 12 August 2021 which supersedes their earlier Audit report dated 22 June 2021.

I, on the behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the financial statements of PNB Gilts Limited for the year ended 31 March 2021 under section 143(6)(a) of the Act. 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 the accounting records.

In view of the revisions made in the statutory auditor's report, to give effect to some of my audit observations raised during supplementary audit, I have no further comments to offer upon or supplementary to the statutory auditors' report under section 143(6)(b) of the Act.

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

A handwritten signature in black ink, appearing to read 'Rina Akoijam'.

**(Rina Akoijam)  
Director General of Audit  
(Industry & Corporate Affairs)  
New Delhi**

Place: New Delhi  
Date: August 25, 2021

## Balance Sheet as at 31st March, 2021

(₹ in Lacs, unless otherwise stated)

Particulars	Notes	As at 31 March 2021	As at 31 March 2020
<b>ASSETS</b>			
<b>Financial assets</b>			
Cash and cash equivalents	3	140.32	74.40
Bank balance other than above	4	627.76	564.94
Derivative financial instruments	5	91,558.37	97,667.49
Loans	6	6,571.05	7,744.85
Investments	7	10,90,686.81	12,96,451.40
Other financial assets	8	23,793.08	22,537.16
		<b>12,13,377.38</b>	<b>14,25,040.24</b>
<b>Non- financial assets</b>			
Current tax assets (net)	9	224.26	327.53
Deferred tax assets (net)	10	-	-
Investment property	11A	18.37	27.04
Property, plant and equipment	11B	233.72	272.24
Other intangible assets	11C	30.38	13.17
Right of use asset	11D	24.42	60.94
Other non-financial assets	12	59.82	88.90
		<b>590.97</b>	<b>789.82</b>
<b>TOTAL</b>		<b>12,13,968.36</b>	<b>14,25,830.06</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
<b>Financial liabilities</b>			
Derivative financial instruments	5	92,523.13	1,02,683.35
Payables	13	-	-
Trade payables		-	-
(i) total outstanding dues of micro enterprises and small enterprises		-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises		74.28	110.31
Other payables		-	-
(i) total outstanding dues of micro enterprises and small enterprises		-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises		-	-
Debt Securities	14 (a)	-	49,319.75



## Balance Sheet as at 31st March, 2021

(₹ in Lacs, unless otherwise stated)

Particulars	Notes	As at 31 March 2021	As at 31 March 2020
Borrowings (other than debt securities)	14(b)	9,86,323.93	11,67,114.29
Lease liability	11D(ii)	27.02	63.81
Other financial liabilities	15	402.42	539.96
		<b>10,79,350.77</b>	<b>13,19,831.46</b>
<b>Non financial liabilities</b>			
Current tax liabilities (net)	16	1,258.60	114.46
Provisions	17	1,223.45	717.24
Deferred tax liabilities (net)	10	245.70	888.21
Other non-financial liabilities	18	252.59	25.61
		<b>2,980.35</b>	<b>1,745.52</b>
<b>Equity</b>			
Equity share capital	19	18,001.01	18,001.01
Other equity	20	1,13,636.22	86,252.07
		<b>1,31,637.24</b>	<b>1,04,253.09</b>
<b>TOTAL</b>		<b>12,13,968.36</b>	<b>14,25,830.06</b>

Significant accounting policies and notes to accounts 1 to 57 are an integral part of these financial statements.

### For and on behalf of the Board

  
**(Swarup Kumar Saha)**  
 Director  
 DIN: 08963678


  
**(Chandra Prakash)**  
 CFO  
 Membership No. A415359

  
**(Prem Prakash Pareek)**  
 Director  
 DIN: 00615296

  
**(Monika Kochar)**  
 Company Secretary  
 Membership No. F6514

  
**(Vikas Goel)**  
 Managing Director & CEO  
 DIN: 08322541

In terms of our report of even date  
 For **Rasool Singhal & Co**  
 Chartered Accountants  
 (FRN: 500015N)

  
**(CA. Akshay Goel)**  
 Partner  
 Membership No. 453555

Date: June 22, 2021  
 Place : New Delhi  
 Regd off : 5, Sansad Marg,  
 New Delhi – 110001

## Statement of Profit and Loss for the year ended 31<sup>st</sup> March, 2021

(₹ in Lacs, unless otherwise stated)

Particulars	Notes	Year ended 31 March 2021	Year ended 31 March 2020
<b>Revenue from operations</b>			
Interest income	21	77,883.38	76,645.56
Dividend income		1.98	2.72
Rental income	22	9.60	11.00
Net gain (Realised & Unrealised)	23	25,255.85	11,149.96
Fees and commission income	24	2,046.96	415.22
<b>Total revenue from operations</b>		<b>1,05,197.78</b>	<b>88,224.45</b>
Other income	25	29.62	35.42
<b>Total income</b>		<b>1,05,227.40</b>	<b>88,259.87</b>
<b>Expenses</b>			
Finance costs	26	39,481.15	51,925.90
Fees and commission expense	27	1,193.65	1,062.51
Employee benefit expenses	28	1,251.11	1,149.88
Other expenses	29	804.95	874.62
Depreciation, amortization and impairment	11A,B,C,D	189.23	144.81
		-	
<b>Total expenses</b>		<b>42,920.08</b>	<b>55,157.72</b>
<b>Profit/(loss) before exceptional items and tax</b>		<b>62,307.32</b>	<b>33,102.15</b>
Exceptional items	30	(872.62)	(8,121.58)
<b>Profit/(loss) before tax</b>		<b>61,434.70</b>	<b>24,980.57</b>
Tax expense/(credit):			
(1) Current tax		16,257.91	5,313.99
(2) Earlier year taxes		398.70	8.75
(3) Deferred tax		(633.59)	1,022.37
<b>Total tax expenses</b>		<b>16,023.02</b>	<b>6,345.11</b>
<b>Profit for the year</b>		<b>45,411.68</b>	<b>18,635.46</b>

## Statement of Profit and Loss for the year ended 31<sup>st</sup> March, 2021

(₹ in Lacs, unless otherwise stated)

Particulars	Notes	Year ended 31 March 2021	Year ended 31 March 2020
<b>Other comprehensive income</b>			
(i) Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plan		(35.40)	(153.93)
(ii) Income tax relating to items that will not be reclassified to profit or loss		8.91	38.74
<b>Other comprehensive income</b>		<b>(26.49)</b>	<b>(115.19)</b>
<b>Total comprehensive income for the year (comprising profit/ (loss) and other comprehensive income for the year)</b>		<b>45,385.19</b>	<b>18,520.27</b>
Earnings per share (for continuing operations)	31		
Basic (Rs.)		25.23	10.35
Diluted (Rs.)		25.23	10.35

Significant accounting policies and notes to accounts 1 to 57 are an integral part of these financial statements.

### For and on behalf of the Board

  
**(Swarup Kumar Saha)**  
 Director  
 DIN: 08963678

  
**(Prem Prakash Pareek)**  
 Director  
 DIN: 00615296


  
**(Vikas Goel)**  
 Managing Director & CEO  
 DIN: 08322541

  
**(Chandra Prakash)**  
 CFO  
 Membership No. A415359

  
**(Monika Kochar)**  
 Company Secretary  
 Membership No. F6514

In terms of our report of even date  
 For **Rasool Singhal & Co**  
 Chartered Accountants  
 (FRN: 500015N)

Date: June 22, 2021  
 Place : New Delhi  
 Regd off : 5, Sansad Marg,  
 New Delhi – 110001

  
**(CA. Akshay Goel)**  
 Partner  
 Membership No. 453555

## Statement of Changes in Equity for the year ended 31<sup>st</sup> March, 2021

### a. Equity share capital

(₹ in Lacs, unless otherwise stated)

#### (1) Current Reporting Period

Balance at the beginning of the current reporting period	Changes in Equity share capital due to prior period errors	Restated Balance at the beginning of the current reporting period	Changes in Equity share capital during the current year	Balance at the end of the current reporting period.
18,001.01	-	18,001.01	-	18,001.01

#### (2) Previous Reporting Period

Balance at the beginning of the current reporting period	Changes in Equity share capital due to prior period errors	Restated Balance at the beginning of the current reporting period	Changes in Equity share capital during the current year	Balance at the end of the current reporting period.
18,001.01	-	18,001.01	-	18,001.01

### b. Other equity

Particulars	Reserves and surplus					Retained earning	Total
	Statutory reserve	Securities premium reserve	General reserve	Market fluctuation reserve	Capital reserve		
<b>Balance as at 31st March, 2019</b>	25,154.70	2,501.27	9,776.54	6,300.00	6,320.04	20,713.66	70,766.21
Profit for the year	-	-	-	-	-	18,635.46	18,635.46
Other comprehensive income for the year	-	-	-	-	-	(115.19)	(115.19)
Other opening adjustments	-	-	-	-	-	3.78	3.78
Changes in accounting policy/prior period errors	-	-	-	-	-	-	-
<b>Total comprehensive income</b>	25,154.70	2,501.27	9,776.54	6,300.00	6,320.04	39,237.71	89,290.26
<b>Transactions with owners in their capacity as owners:</b>							
Dividends (including dividend tax)	-	-	-	-	-	(3,038.17)	(3,038.17)
Transferred from retained earnings	3,727.09	-	-	-	-	-	3,727.09
Transferred to other reserves	-	-	-	-	-	(3,727.09)	(3,727.09)
<b>Balance as at 31st March, 2020</b>	28,881.79	2,501.27	9,776.54	6,300.00	6,320.04	32,472.45	86,252.07
Profit for the year	-	-	-	-	-	45,411.68	45,411.68
Other comprehensive income for the year	-	-	-	-	-	(26.49)	(26.49)
Changes in accounting policy/prior period errors	-	-	-	-	-	-	-
<b>Total comprehensive income</b>	28,881.79	2,501.27	9,776.54	6,300.00	6,320.04	77,857.64	1,31,637.26
<b>Transactions with owners in their capacity as owners:</b>							
Dividends	-	-	-	-	-	(18,001.01)	(18,001.01)

## Statement of Changes in Equity for the year ended 31<sup>st</sup> March, 2021

(₹ in Lacs, unless otherwise stated)

Particulars	Reserves and surplus					Retained earning	Total
	Statutory reserve	Securities premium reserve	General reserve	Market fluctuation reserve	Capital reserve		
Transferred from retained earnings	9,082.34	-	-	-	-	-	9,082.34
Transferred to other reserves	-	-	-	-	-	(9,082.34)	(9,082.34)
<b>Balance as at 31st March, 2021</b>	<b>37,964.13</b>	<b>2,501.27</b>	<b>9,776.54</b>	<b>6,300.00</b>	<b>6,320.04</b>	<b>50,774.29</b>	<b>1,13,636.22</b>

Significant accounting policies and notes to accounts 1 to 57 are an integral part of these financial statements.

### For and on behalf of the Board

  
**(Swarup Kumar Saha)**  
 Director  
 DIN: 08963678


  
**(Chandra Prakash)**  
 CFO  
 Membership No. A415359

  
**(Prem Prakash Pareek)**  
 Director  
 DIN: 00615296

  
**(Monika Kochar)**  
 Company Secretary  
 Membership No. F6514

  
**(Vikas Goel)**  
 Managing Director & CEO  
 DIN: 08322541

In terms of our report of even date  
 For **Rasool Singhal & Co**  
 Chartered Accountants  
 (FRN: 500015N)

  
**(CA. Akshay Goel)**  
 Partner  
 Membership No. 453555

Date: June 22, 2021  
 Place : New Delhi  
 Regd off : 5, Sansad Marg,  
 New Delhi – 110001

## Statement of Cash Flows for the year ended 31st March, 2021

(₹ in Lacs, unless otherwise stated)

	Year ended 31 March 2021	Year ended 31 March 2020
<b>Profit before tax</b>	61,434.70	24,980.57
<i>Adjustments for</i>		
Add: Depreciation and amortisation expense	189.23	144.81
Change in provisions	470.81	221.48
Loss/(profit) on sale of property, plant and equipment	(1.62)	0.01
Interest expense on leased liability	3.79	6.83
Interest paid	39,477.36	51,919.07
Less: Discount and interest received	(77,883.38)	(76,645.56)
Dividend received	(1.98)	(2.72)
<b>Operating profit/(loss) before changes in operating activity</b>	<b>23,688.91</b>	<b>624.51</b>
<b>Cash flow from operating activity</b>		
Add: Discount and interest received	77,883.38	76,645.56
Dividend received	1.98	2.72
Less: Interest expense on leased liability	(3.79)	(6.83)
Interest paid	(39,477.36)	(51,919.07)
<i>Adjustment for changes in operating activity</i>		
Changes in investments in FDR	(62.81)	9,994.94
Changes in investments at fair value through profit and loss	2,01,713.50	(4,10,918.34)
Changes in financial assets and non-financial assets	(53.03)	(8,676.69)
Changes in financial liability and non-financial liabilities	(9.36)	(235.48)
<b>Cash used in operations</b>	<b>2,63,681.42</b>	<b>(3,84,488.69)</b>
Less: Net taxes paid	(15,409.80)	(5,298.39)
<b>(A) Net cash used in operating activity</b>	<b>2,48,271.62</b>	<b>(3,89,787.08)</b>
<b>Cash flow from investing activities</b>		
<i>Adjustment for changes in investing activity</i>		
Sale proceeds of property, plant and equipment	3.36	-
Purchase of property, plant and equipment	(124.27)	(134.28)
<b>(B) Net cash used in investing activity</b>	<b>(120.91)</b>	<b>(134.28)</b>

## Statement of Cash Flows for the year ended 31st March, 2021

(₹ in Lacs, unless otherwise stated)

	Year ended 31 March 2021	Year ended 31 March 2020
<b>Cash flow from financing activity</b>		
<i>Adjustment for changes in financing activity</i>		
Changes in borrowings and debt securities	(2,30,110.11)	3,93,042.10
Lease accounting adjustment	(36.79)	(33.75)
Dividend distribution including DDT	(18,001.01)	(3,038.17)
Changes in unclaimed dividends and bonus fractional entitlement	63.13	5.06
<b>(C) Net cash flow from financing activity</b>	<b>(2,48,084.78)</b>	<b>3,89,975.24</b>
Consolidated cash flow during the year (A+B+C)	65.93	53.88
Cash and cash equivalent at the beginning of the year	74.40	20.52
<b>Cash and cash equivalent at the end of the year</b>	<b>140.32</b>	<b>74.40</b>
<b>Balances with banks</b>		
Balances with Reserve Bank of India	125.96	33.44
Balances with PNB Current Accounts	14.36	40.95
	<b>140.32</b>	<b>74.40</b>

Significant accounting policies and notes to accounts 1 to 57 are an integral part of these financial statements.

### For and on behalf of the Board

  
**(Swarup Kumar Saha)**  
 Director  
 DIN: 08963678


  
**(Prem Prakash Pareek)**  
 Director  
 DIN: 00615296

  
**(Vikas Goel)**  
 Managing Director & CEO  
 DIN: 08322541

  
**(Chandra Prakash)**  
 CFO  
 Membership No. A415359

  
**(Monika Kochar)**  
 Company Secretary  
 Membership No. F6514

In terms of our report of even date  
 For **Rasool Singhal & Co**  
 Chartered Accountants  
 (FRN: 500015N)

  
**(CA. Akshay Goel)**  
 Partner  
 Membership No. 453555

Date: June 22, 2021  
 Place : New Delhi  
 Regd off : 5, Sansad Marg,  
 New Delhi – 110001



## NOTE 1

### A. Corporate information

PNB Gilts Limited is a public limited company domiciled in India and incorporated under the provisions of the Companies Act, 1956. The Company has been granted the License of NBFC by the Reserve Bank of India and working as a Standalone Primary Dealer. The Company's primary activities entail supporting government borrowing program via underwriting of government securities issuances and trade in a gamut of fixed income instruments such as Government Securities, Treasury Bills, State Development Loans, Corporate Bonds, Interest Rate Swaps and various money market instruments such as Certificates of Deposits, Commercial Papers etc. The Company has dedicated trading desk managed by experienced professionals having strong research and market insights. The Company is also providing custodian services to its constituents. The Company's registered office is at 5, Sansad Marg, New Delhi, India. The Company is also a subsidiary of one of the largest Indian commercial bank Punjab National Bank.

### B. Basis of preparation

#### Statement of Compliance

The financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 and subsequent amendments thereto and comply with the relevant provisions of the Companies Act 2013 and the Reserve Bank of India guidelines as applicable to the Primary Dealers and NBFC.

#### Basis of Measurement

The financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities (refer accounting policy no VII regarding financial instruments) which have been measured at fair value.

#### Functional & Presentation Currency

The Company's presentation and functional currency is Indian rupees. All amounts in these financial statements, except per share amounts and unless as stated otherwise, have been rounded off to two decimal places and have been presented in lakhs.

#### Presentation of Financial Statements

The Company presents its balance sheet in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note no. 39 "Maturity Analysis of assets and liabilities".

Financial assets and financial liabilities are generally reported gross in the balance sheet. They are only offset and reported net when, in addition to having an unconditional legally enforceable right to offset the recognised amounts without being contingent on a future event, the parties also intend to settle on a net basis in all of the following circumstances:

- The normal course of business
- The event of default
- The event of insolvency or bankruptcy of the Company and/or its counterparties

Derivative assets and liabilities with master netting arrangements are only presented net when they satisfy the eligibility of netting for all of the above criteria and not just in the event of default.

## NOTE 2

### C. Summary of significant accounting policies

#### 1a. Property, plant and equipment (PPE) and intangible assets

On transition to Ind AS, the Company has elected to continue with the carrying value of all of its property, plant and equipment and intangible assets as at 31 March 2017, measured as per the previous GAAP and use that carrying value as the deemed cost of the property, plant and equipment and intangible assets as on 1 April 2017.

PPE are stated at cost (including incidental expenses directly attributable to bringing the asset to its working condition for its intended use) less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Subsequent expenditure related to PPE is capitalized only when it is probable that future economic benefits associated with these will flow to the Company and the cost of item can be measured reliably. Other repairs and maintenance costs are expensed off as and when incurred.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the statement of profit and loss when the asset is derecognised.

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Company. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

#### **Ib. Investment Properties**

The company has elected to continue with the carrying value for all of its investment property as recognised in its Indian GAAP financial statements as deemed cost on the transition date, vis 1<sup>st</sup> April, 2017.

The flats classified as Investment Property are purchased for the staff. However, in view of no requirement by the staff members, they are given to the PNB employees only for a period of 11 months with two/ more extensions.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment loss, if any.

The cost includes the cost of replacing parts and borrowing cost for long term construction projects if the recognition criteria are met. When significant parts of the investment property are required to be replaced at intervals, the company depreciates them separately based on their specific useful lives. All other repair and maintenance costs are recognised in statement of profit or loss as incurred.

The company depreciates investment property over 60 years from the date of original purchase.

Though the company measures investment property using cost based measurement, the fair value of investment property is disclosed in the Note 11A of the financial statements.

Investment properties are derecognised either when they have been disposed off or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in statement of profit or loss in the period of derecognition.

#### **Ic. Depreciation on Property, plant and equipment, Investment Properties and Amortization of intangible assets**

The depreciation on the Property plant and equipment is calculated on a Written Down Value (WDV) basis using the rates arrived at, based on useful lives estimated by the management, which coincides with the lives prescribed under Schedule II of the Companies Act, 2013. Residual value of Land & Building and Vehicles is taken as 5 percent of the original cost, whereas for assets other than those specified above the residual value is taken as Re.1.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit and loss.

## II. Leases

The Company has applied Ind AS 116 - 'Leases' using the modified retrospective approach.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

### Company as a lessee:

The Company's lease asset classes primarily consist of leases for buildings. The Company assesses whether a contract contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether: (i) the contract involves the use of an identified asset (ii) the Company has substantially all of the economic benefits from use of the asset through the period of the lease and (iii) the Company has the right to direct the use of the asset.

At the date of commencement of the lease, the Company recognizes a right-of-use asset ("ROU") and a corresponding lease liability for all lease arrangements in which it is a lessee, except for leases with a term of twelve months or less (short-term leases) and low value leases. For these short-term and low value leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

Certain lease arrangements include the options to extend or terminate the lease before the end of the lease term. ROU assets and lease liabilities includes these options when it is reasonably certain that they will be exercised.

The right-of-use assets are initially recognized at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or prior to the commencement date of the lease plus any initial direct costs less any lease incentives. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated from the commencement date on a straight-line basis over the shorter of the lease term and useful life of the underlying asset. Right of use assets are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the Cash Generating Unit (CGU) to which the asset belongs.

The lease liability is initially measured at amortized cost at the present value of the future lease payments. The lease payments are discounted using the Incremental borrowing rates in the lease or, if not readily determinable, using the incremental borrowing rates in the country of domicile of these leases. Lease liabilities are remeasured with a corresponding adjustment to the related right of use asset if the Company changes its assessment if whether it will exercise an extension or a termination option.

Lease liability and ROU asset have been separately presented in the Balance Sheet.

Leases which have expired have not been accounted as per Ind AS 116.

### The Company as a lessor

Leases for which the Company is a lessor is classified as a finance or operating lease. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

For operating leases, rental income is recognized on a straight line basis over the term of the relevant lease.

### Transition

Effective April 1, 2019, the Company adopted Ind AS 116 "Leases" and applied the standard to all lease contracts existing on April 1, 2019 using simplified approach under the modified retrospective method. Under this option, the Company has recognised lease liability measured at an amount equal to present value of remaining lease payments

using the incremental borrowing rate as at April 1, 2019 and corresponding ROU asset is measured at an amount equivalent to lease liability. the company applied a single discount rate to a portfolio of leases of similar assets in similar economic environment.

### **III. Impairment of non-financial assets**

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use (i.e. the present value of the future cash flows expected to be derived from an asset or cash generating unit). The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Company of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment loss, if any, will be charged to statement of profit and loss, unless the asset is carried at revalued amount in accordance with another standard. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that other standard.

### **IV. Provisions, Contingent liabilities and Contingent assets**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to a provision is charged/ provided in the statement of profit and loss.

The Company does not recognize a contingent liability but discloses its existence in the financial statements. Contingent liability is disclosed in the case of:

- A present obligation arising from past events, when it is not probable that an outflow of resources will not be required to settle the obligation
- A present obligation arising from past events, when no reliable estimate is possible
- A possible obligation arising from past events, unless the probability of outflow of resources is remote

Contingent liabilities are reviewed at each reporting date.

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are recognized when the realization of income is virtually certain, then the related asset is not a contingent asset and its recognition is appropriate. Contingent assets are reviewed at each reporting date. A contingent asset is disclosed where an inflow of economic benefits is probable.

### **V. Accounting of Expenses**

Expenses as interest and other expenses are accounted for on accrual basis

### **VI. Employee Benefit Expenses**

Employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service are classified as short-term employee benefits. Benefits such as salaries, wages and bonus etc., are recognised in the statement of profit and loss in the period in which the employee renders the related service.

#### **Defined contribution**

- i. Retirement benefit in the form of provident fund is a defined contribution scheme and the contributions are charged to the Statement of Profit and Loss of the period when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the respective fund.

#### **Defined benefit Plan**

Leave liability is defined benefit obligation which is unfunded. The cost of providing benefits under the defined benefit

plan is determined using the projected unit credit method with actuarial valuations being carried out at each reporting date. Gratuity under the employee group gratuity cum life insurance scheme of LIC is defined benefit obligation which is funded and the cost of providing benefits under the defined benefit plan is determined using the projected unit credit method provided by LIC.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through other comprehensive income (OCI) in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods. Past service costs are recognised in profit or loss on the earlier of:

- i. The date of the plan amendment or curtailment, and
- ii. The date that the Company recognises related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognises the following changes in the net defined benefit obligation as an expense in the statement of profit and loss:

- i. Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- ii. Net interest expense or income

## VII. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

### Financial assets

#### *Initial recognition and measurement*

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the settlement date.

#### *Subsequent measurement*

For purposes of subsequent measurement, financial assets are classified in three categories:

- ◆ Debt instruments at amortised cost
- ◆ Debt instruments at fair value through other comprehensive income (FVTOCI)
- ◆ Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)

#### i. Debt Instruments at Amortised cost:

A 'debt instrument' is measured at the amortised cost if both the following conditions are met:

- a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

ii. *Debt instruments at FVTOCI*

A 'debt instrument' is classified as at the FVTOCI if both of the following criteria are met:

- a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and
- b) The asset's contractual cash flows represent SPPI.

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in the other comprehensive income (OCI).

iii. *Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)*

**Debt instrument at FVTPL:** FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL. Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L.

**Equity investments:** All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading are classified as at FVTPL. All other equity instruments are classified as per provisions of relevant Ind AS.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L.

**Derivative financial instruments:** The Company uses derivative financial instruments, such as Future contracts, Options, Interest rate Future contracts for trading purpose and interest rate swaps for trading as well as to hedge its interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value and the resulting gain or loss is recognized in statement of Profit and Loss. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

**Impairment of financial assets**

In accordance with Ind AS 109, the company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

Financial assets that are debt instruments, and are measured at amortised cost e.g., loans, debt securities and deposits.

For recognition of impairment loss on financial assets and risk exposure, the company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on 12-month ECL.

ECL impairment loss allowance (or reversal) recognized during the period is recognized as income/ expense in the statement of profit and loss (P&L).

**Financial liabilities**

**Initial recognition and measurement**

A financial liability is initially measured at fair value plus, for an item not at fair value through profit and loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

**Subsequent measurement**

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL, if it is classified as held for trading, or it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense,



are recognised in statement of profit and loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in statement of profit and loss.

### **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

### **VIII. Cash flow statement**

Cash flows are reported using the indirect method, whereby profit before tax is adjusted for the effect of transactions of a non cash nature, any deferral or accruals of past and future operating cash receipts or payments and items of income associated with investing or financing cash flows.

### **IX. Cash and cash equivalents**

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand, short-term deposits and other highly liquid investments, with an original maturity of three months or less and are readily convertible into known amounts of cash, which are subject to an insignificant risk of changes in value.

For the purpose of the Financial Statements, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

### **X. Fair value measurement**

The Company has used the following methods for deriving the fair values:

- i. Fair Value of Government dated Securities, Treasury Bills (including Cash Management Bills), State development loans, Interest Rate Swaps, Certificates of Deposit and PSU/Corporate bonds & debentures, is determined by the prices or yield, as applicable, declared by Fixed Income Money Market and Derivatives Association of India (FIMMDA)/Financial Benchmark India Private Limited (FBIL) on last working day of the Financial Year.
- ii. In case of Commercial Papers, company shall use market observable spread over T Bill curve and based on that new benchmark (T-Bill+constant spread across the curve) company shall interpolate and calculate CP prices corresponding to the residual maturities.
- iii. Fair value of Equity Shares is determined by the closing rates provided by the stock exchanges on last working day of the Financial Year
- 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 Future & Options contracts (i.e IRF, Equity futures & Nifty futures) valuation is done as per the closing prices provided by Stock Holding Corporation of India Limited (SHCIL).

### **XI. Revenue recognition**

- i. Interest income, for all debt instruments measured either at amortised cost (Short term lending and Fixed deposits) or at fair value through other comprehensive income, is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortised cost of a financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are incrementally directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.
- ii. Changes in fair value of securities classified at fair value through profit and loss (FVTPL) (Certificates of Deposit, Commercial Papers, Bills Re-discounted, Treasury Bills (including Cash Management Bills), Zero Coupon Bonds, Government dated securities (including State Development Loan), Corporate bonds & debentures, Equity shares and Mutual funds) shall be taken to Profit and Loss.



- iii. 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.
- iv. Interest income on Government Dated Securities and Corporate Bonds & 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
- v. Dividend income is recognized when the Company's right to receive payment is established by the reporting date.
- vi. Underwriting fees: Fees that are an integral part of the effective interest rate of a financial instrument are generally treated as an adjustment to the effective interest rate. However, when the financial instrument is measured at fair value with the change in fair value recognised in profit or loss, the fees are recognised as part of the fair value when the instrument is initially recognized.
- vii. Commission & other fees: Commission & other fees will be recognized as and when the performance obligation is satisfied as per IND AS 115.
- viii. Other income received through rent, interest on staff loans, house rent recovery and Misc. Income are accounted for on accrual basis.

## **XII. Taxes**

Tax expense comprises current and deferred tax.

### **Current income tax**

Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity).

### **Deferred tax**

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity).

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

### **XIII. Segment Reporting**

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision maker. The board of directors of the Company assesses the financial performance and position of the company and makes the strategic decisions.

### **XIV. Earnings per share**

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

### **XV. Dividend and Tax on Dividend**

The Company recognises a liability to make cash distributions to equity holders when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the corporate laws in India, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

### **XVI. Corporate Social Responsibility ('CSR') expenditure**

The Company charges its CSR expenditure during the year to the statement of profit and loss.

### **XVII. Accounting for Repo Transactions**

Sales / Purchases of Treasury Bills (including Cash Management Bills) and Government Dated Securities, as disclosed in Statement of Profit and Loss do not include Repo/Reverse Repo transactions in accordance with RBI guidelines No. RBI/2009-2010/356/IDMD/4135/11.08.43/2009-10 dated March 23, 2010.

In conformity with RBI guidelines, securities sold under Repo transactions are not excluded from the portfolio and the securities purchased under Reverse Repo are not included in the portfolio. 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.

## Notes to Financial Statements for the year ended 31<sup>st</sup> March, 2021

(₹ in Lacs, unless otherwise stated)

### Note 3: Cash and cash equivalents

	31st March, 2021	31st March, 2020
Balances in current account with:		
- Reserve Bank of India	125.96	33.44
- Scheduled Banks	14.36	40.95
<b>Total</b>	<b>140.32</b>	<b>74.40</b>

### Note 4: Bank balance other than above

	31st March, 2021	31st March, 2020
Bank deposits (more than 3 months and upto 12 months)^	488.00	488.00
Balance with scheduled banks (earmarked balances)*	139.76	76.94
<b>Total</b>	<b>627.76</b>	<b>564.94</b>
<b>**Earmarked balances with banks</b>		
Balance with Scheduled Banks earmarked towards Unclaimed Dividends	139.76	76.62
Balance with Scheduled Banks earmarked towards Unclaimed Bonus	-	0.32
Fractional Entitlement Payable	-	-
<b>Total</b>	<b>139.76</b>	<b>76.94</b>

^ As at 31st March, 2021, fixed deposits amounting to Rs.475.00 lacs are in the joint name of the Company with NSCCL A/C Stock Holding of India Ltd. and Rs. 13.00 lacs are in the joint name of the Company with NSEIL. Hence not freely available for use of the Company.

^ As at 31st March, 2020, fixed deposits amounting to Rs.475.00 lacs are in the joint name of the Company with NSCCL A/C Stock Holding of India Ltd. and Rs. 13.00 lacs are in the joint name of the Company with NSEIL. Hence not freely available for use of the Company.

### Note 5: Derivative financial instruments

#### Part I

The Company enters into derivatives for risk management purposes and trading purposes. The notional amounts indicate the value of transactions outstanding at the year end and are not indicative of either the market risk or credit risk. The table below shows the fair values of derivative financial instruments recorded as assets or liabilities together with their notional amounts. For management of risks, see note 40.

Particulars	As at 31st March, 2021			As at 31st March, 2020		
	Notional amounts	Fair value assets	Fair value liabilities	Notional amounts	Fair value assets	Fair value liabilities
Interest Rate Swaps (Asset)	33,15,500.00	91,558.37	-	23,07,500.00	97,667.49	-
Interest Rate Swaps (Liability)	37,16,500.00	-	92,523.13	27,01,000.00	-	1,02,644.57
Interest Rate Futures/ Index Option (equity linked derivatives)	-	-	-	3,058.05	-	38.78
<b>Total derivative financial instruments</b>	<b>70,32,000.00</b>	<b>91,558.37</b>	<b>92,523.13</b>	<b>50,14,616.10</b>	<b>97,667.49</b>	<b>1,02,683.35</b>

## Notes to Financial Statements for the year ended 31<sup>st</sup> March, 2021

(₹ in Lacs, unless otherwise stated)

### Part II

#### Hedging activities and derivatives

The Company is exposed to certain risks relating to its ongoing business operations. The primary risks managed using derivative instruments are interest rate risk.

#### Derivatives not designated as hedging instruments (Undesignated derivatives)

The Company uses interest rate swaps to manage its interest rate risk arising from INR denominated borrowings. The interest rate swaps are not designated in a hedging relationship and are entered into for periods consistent with exposure of the underlying transactions, generally from 6 to 36 months. Details of the derivative instruments held for hedging purpose is given below, the same are not designated as hedging instruments and therefore, hedge accounting is not done.

Particulars	As at 31st March, 2021				As at 31st March, 2020			
	Notional amount	Derivative asset	Notional amount	Derivative liability	Notional amount	Derivative asset	Notional amount	Derivative liability
Interest Rate Swaps (Asset)	42,500.00	1,056.18	-	-	99,500.00	2,102.48	-	-
Interest Rate Swaps (Liability)	-	-	3,73,500.00	4,353.76	-	-	4,70,500.00	7,130.78
Interest Rate Futures/Index Option (equity linked derivatives)	-	-	-	-	3,058.05	-	-	38.78
<b>Total</b>	<b>42,500.00</b>	<b>1,056.18</b>	<b>3,73,500.00</b>	<b>4,353.76</b>	<b>1,02,558.05</b>	<b>2,102.48</b>	<b>4,70,500.00</b>	<b>7,169.56</b>

#### Note 6: Loans\*

Particulars	31st March, 2021	31st March, 2020
<b>At amortised Cost</b>		
<b>Others</b>		
Reverse Repo Lending	6,389.71	-
Call & Notice and Term Money Lending	-	7,500.00
Others	-	-
	<b>6,389.71</b>	<b>7,500.00</b>
<b>Term loans</b>		
Staff loans	181.34	244.85
<b>Total (A) Gross</b>	<b>6,571.05</b>	<b>7,744.85</b>
Less: Impairment loss allowance	-	-
<b>Total (A) Net</b>	<b>6,571.05</b>	<b>7,744.85</b>
Secured by tangible assets and intangible assets	6,569.27	240.18
Unsecured	1.78	7,504.66
<b>Total (B) Gross</b>	<b>6,571.05</b>	<b>7,744.85</b>
Less: Impairment loss allowance	-	-
<b>Total (B) Net</b>	<b>6,571.05</b>	<b>7,744.85</b>
<b>Loans in India</b>		
Others (to be specified)		
-Call & Notice money lending	-	7,500.00
-Staff loans	181.34	244.85

## Notes to Financial Statements for the year ended 31<sup>st</sup> March, 2021

(₹ in Lacs, unless otherwise stated)

	<b>Total (C) Gross</b>	<b>6,571.05</b>	<b>7,744.85</b>
Less: Impairment loss allowance		-	-
	<b>Total (C) Net</b>	<b>6,571.05</b>	<b>7,744.85</b>

\*The Company has assessed that there is no risk of default. Hence, no Expected Credit Loss (ECL) is computed on the same.

### Note 7: Investments (Stock-in-Trade)

	<b>31st March, 2021</b>	<b>31st March, 2020</b>
<b><i>At fair value through profit or loss (FVTPL)</i></b>		
Government Securities	9,32,797.23	11,45,488.31
Bonds, Debentures, Certificate of Deposits (CDs) and Commercial Paper (CPs)	1,57,824.34	1,50,963.09
Equity Instruments	65.24	-
<b>Total gross (A)</b>	<b>10,90,686.81</b>	<b>12,96,451.40</b>
Investments in India	10,90,686.81	12,96,451.40
<b>Total (B)</b>	<b>10,90,686.81</b>	<b>12,96,451.40</b>
<b>Total (A) to tally with (B)</b>	<b>10,90,686.81</b>	<b>12,96,451.40</b>
Less: Allowance for Impairment loss (C)	-	-
<b>Total Net D = (A) -(C)</b>	<b>10,90,686.81</b>	<b>12,96,451.40</b>

The Company is providing custodian services to its constituents and total holdings of 68 (P.Y. 55) constituents in government securities as at 31st March, 2021 in SGL II with RBI is Rs.85,11,942.35 lacs (P.Y. Rs. 54,24,787.05 lacs)

### Note 8: Other financial assets

	<b>31st March, 2021</b>	<b>31st March, 2020</b>
Interest accrued but not due on :		
Government dated and approved securities	11,201.83	13,258.57
Bonds and debentures	4,220.90	3,371.31
Reverse Repo Lending	0.51	-
Call, Notice and Term money Lending	-	19.59
Cash deposit with Clearing Corporation of India Limited (CCIL)	12.05	8.52
Fixed deposits with Scheduled Banks	14.62	19.34
Interest on non competitive bids	0.03	-
Security deposit		
- with CCIL	7,645.00	5,429.00
- for Future & Options margin money	309.60	23.50
- Interest Rate Futures Margin Money	297.46	307.90
- Peak Margin Money for equity segment	68.75	-
- for Others	7.48	8.02
Rent receivables	0.20	0.43
Arranger Fee receivable	3.48	80.77

## Notes to Financial Statements for the year ended 31<sup>st</sup> March, 2021

(₹ in Lacs, unless otherwise stated)

Advance given to vendors	10.69	10.21
Misc. amount receivable	0.46	-
<b>Total</b>	<b>23,793.08</b>	<b>22,537.16</b>

### Trade Receivables Aging Schedule

2020-21	Outstanding for following periods from due date of payment	
Particulars	Less than 6 months	6 months to 1 year
(i) Undisputed Trade Receivables- considered good	4.14	-
(ii) Undisputed Trade Receivables- which have significant increase in credit risk	226.22	-
(iii) Undisputed Trade Receivables -credit impaired	-	-
(iv) Disputed Trade Receivables- considered good	-	-
(v) Disputed Trade Receivables- which have significant increase in credit risk	-	-
(vi) Disputed Trade Receivables -credit impaired	-	-
2019-20	Outstanding for following periods from due date of payment	
Particulars	Less than 6 months	6 months to 1 year
(i) Undisputed Trade Receivables- considered good	81.19	-
(ii) Undisputed Trade Receivables- which have significant increase in credit risk	-	-
(iii) Undisputed Trade Receivables -credit impaired	-	-
(iv) Disputed Trade Receivables- considered good	-	-
(v) Disputed Trade Receivables- which have significant increase in credit risk	-	-
(vi) Disputed Trade Receivables -credit impaired	-	-

### Note 9: Current Tax Assets

Particulars	31st March, 2021	31st March, 2020
Advance Tax 2005-06	13.71	-
Advance Tax 2006-07 (FBT)	1.33	-
Advance Tax 2006-07	0.05	2.10
Advance Tax 2008-09	-	116.49
Advance Tax 2011-12	83.35	80.87
Advance Tax 2013-14	48.42	-
Advance Tax 2014-15	-	0.05
Advance Tax 2018-19	-	79.61

## Notes to Financial Statements for the year ended 31<sup>st</sup> March, 2021

(₹ in Lacs, unless otherwise stated)

Advance Tax 2019-20	0.01	-
GST TDS Receivable	44.91	0.58
Tds Receivable	32.50	47.82
<b>Total</b>	<b>224.26</b>	<b>327.53</b>
Above years denote Financial Years.		

### Note 10: Tax Expenses

Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate for 31st March, 2021

Particulars	Year ended March 31, 2021	Year ended March 31 2020
Accounting profit before tax	61,434.70	24,980.57
At India's statutory income tax rate	15,461.89	6,287.11
Interest under section 234B and 234C	133.11	49.86
Adjustments in respect of current income tax of prior years	398.70	8.75
<b>Income not subject to tax</b>		
Interest Earned on PSU Bond- Tax free	(18.28)	(25.41)
Fair value of Financial Instruments	-	-
Dividend Income on Equity Shares u/s 10(34)	-	(0.69)
PLI	(16.88)	-
Depreciation as per books	-	-
Provision of Leave encashment & Gratuity	-	-
Valuation of securities	-	-
Others	11.76	34.94
CSR Expenses	52.33	(9.45)
<b>Income tax expense reported in the Statement of Profit &amp; Loss</b>	<b>16,023.02</b>	<b>6,345.11</b>

Deferred Tax (liabilities) / assets	Year ended March 31, 2021	Year ended March 31 2020
<b>Deferred tax liability</b>		
Fair value of Financial Instruments	(525.51)	(996.07)
<b>Gross deferred tax liability</b>	<b>(525.51)</b>	<b>(996.07)</b>
<b>Deferred tax asset</b>		
Provision for Leave liability	4.42	88.11
Provision for gratuity	0.55	-
Provision for Lease as per Ind AS 116	0.65	0.72



## Notes to Financial Statements for the year ended 31<sup>st</sup> March, 2021

(₹ in Lacs, unless otherwise stated)

Difference between tax depreciation and depreciation/amortization charged for the financial reporting	28.55	16.45
Discounting of Staff Loans	2.39	2.57
Provision of Investment and I.A. on 9.60% SREI Equipment Finance Limited	243.24	-
<b>Gross deferred tax asset</b>	<b>279.80</b>	<b>107.86</b>
<b>Net Deferred Tax (Liability)/ Asset</b>	<b>(245.70)</b>	<b>(888.21)</b>

The following table shows the changes recorded during the year in the deferred tax expense

<b>2020-21</b>	<b>Income Statement</b>	<b>OCI</b>
Fair value of Financial Instruments	(470.55)	-
Remeasurements of defined benefit plan	92.05	(8.91)
Difference between tax depreciation and depreciation/amortization charged for the financial reporting	(12.10)	-
Discounting of Staff Loans	0.18	-
Deferred tax on Performance Linked Incentive (PLI)	-	-
MAT credit	(243.24)	-
Lease liab	0.07	-
Charges (in P&L)	-	-
<b>Net Deferred Tax</b>	<b>(633.59)</b>	<b>(8.91)</b>
<b>2019-20</b>	<b>Income Statement</b>	<b>OCI</b>
Fair value of Financial Instruments	395.58	-
Remeasurements of defined benefit plan	12.55	(38.74)
Difference between tax depreciation and depreciation/amortization charged for the financial reporting	(6.79)	-
Discounting of Staff Loans	(0.68)	-
Deferred tax on Performance Linked Incentive (PLI)	-	-
MAT credit	624.44	-
Lease liab	(0.72)	-
Charges (in P&L)	(2.01)	-
<b>Net Deferred Tax</b>	<b>1,022.37</b>	<b>(38.74)</b>

## Notes to Financial Statements for the year ended 31<sup>st</sup> March, 2021

(₹ in Lacs, unless otherwise stated)

### Note 11A: Investment Property

FY 2020-21

S. No.	Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		Cost as at 1 April 2020	Addition during the year	Adjustments/ Deductions during the year	Total cost as at 31 March 2021	As at 1 April 2020	For the period	Adjustments/ Deductions during the year	As at 31 March 2021	As at 31 March 2021	As at 31 March 2020
1	Buildings* (Built Up Flats)	65.81	-	(18.90)	46.90	38.77	1.31	(11.55)	28.53	18.37	27.04
	<b>Total</b>	<b>65.81</b>	<b>-</b>	<b>(18.90)</b>	<b>46.90</b>	<b>38.77</b>	<b>1.31</b>	<b>(11.55)</b>	<b>28.53</b>	<b>18.37</b>	<b>27.04</b>

\* Market Value of 1 Chennai flat is Rs. 53.00 lacs

\* Market Value of 2 Bengaluru flats is Rs. 152.36 lacs i.e. 76.18 lacs each

\* The company had purchased these flats for its staff. However, in view of no requirement by the staff members, these were given to PNB employees only for a period of 11 months with two/more extensions.

The valuation of the above mentioned flats is done by the registered valuers and the valuation model used by the valuers for Chennai flat is comparative sale method and for Bengaluru flat is composite rate method.

FY 2019-20

S. No.	Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		Cost as at 1 April 2019	Addition during the year	Adjustments/ Deductions during the year	Total cost as at 31 March 2020	As at 1 April 2019	For the period	Adjustments/ Deductions during the year	As at 31 March 2020	As at 31 March 2020	As at 31 March 2019
1	Buildings** (Built Up Flats)	65.81	-	-	65.81	37.39	1.38	-	38.77	27.04	28.41
	<b>Total</b>	<b>65.81</b>	<b>-</b>	<b>-</b>	<b>65.81</b>	<b>37.39</b>	<b>1.38</b>	<b>-</b>	<b>38.77</b>	<b>27.04</b>	<b>28.41</b>

\*\* Market Value of 2 Chennai flats is Rs. 143.60 lacs (Rs. 71.80 lacs each)

\*\* Market Value of 2 Bengaluru flats is Rs. 147.28 lacs (Rs. 73.64 lacs each)

In FY. 2019-20, the market value of Bengaluru flats was same as that in FY. 2018-19 as per the market survey and economic conditions prevailing at that time.

### Note 11B: Property, plant and equipment

FY 2020-21

S. No.	Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		Cost as at 1 April 2020	Addition during the year	Adjustments/ Deductions during the year	Total cost as at 31 March 2021	As at 1 April 2020	For the period	Adjustments/ Deductions during the year	As at 31 March 2021	As at 31 March 2021	As at 31 March 2020
1	Buildings (Built Up Flats)	523.63	-	18.90	542.54	334.34	9.19	11.55	355.08	187.45	189.29
2	Office equipments	64.18	10.33	3.14	71.37	59.64	8.31	3.14	64.82	6.55	4.54
3	Computers	240.46	39.13	16.84	262.76	174.44	87.08	16.00	245.52	17.24	66.02
4	Furnitures and fixtures	136.12	0.49	1.12	135.48	133.93	1.36	1.12	134.17	1.31	2.18
5	Vehicles	38.75	16.54	8.63	46.66	28.54	4.87	7.93	25.49	21.17	10.21
	<b>Total</b>	<b>1,003.14</b>	<b>66.49</b>	<b>48.63</b>	<b>1,058.80</b>	<b>730.90</b>	<b>110.82</b>	<b>39.73</b>	<b>801.98</b>	<b>233.72</b>	<b>272.24</b>

## Notes to Financial Statements for the year ended 31<sup>st</sup> March, 2021

(₹ in Lacs, unless otherwise stated)

### FY 2019-20

S. No.	Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		Cost as at 1 April 2019	Addition during the year	Adjustments/ Deductions during the year	Total cost as at 31 March 2020	As at 1 April 2019	For the period	Adjustments/ Deductions during the year	As at 31 March 2020	As at 31 March 2020	As at 31 March 2019
1	Buildings (Built Up Flats)	523.63	-	-	523.63	324.65	9.69	-	334.34	189.29	198.98
2	Office equipments	58.40	6.71	0.93	64.18	50.45	10.11	0.92	59.64	4.54	7.95
3	Computers	127.11	113.35	-	240.46	124.92	49.51	-	174.44	66.02	2.19
4	Furnitures and fixtures	136.16	0.49	0.53	136.12	131.37	3.09	0.53	133.93	2.18	4.79
5	Vehicles	38.75	-	-	38.75	23.87	4.67	-	28.54	10.21	14.88
	<b>Total</b>	<b>884.06</b>	<b>120.54</b>	<b>1.46</b>	<b>1,003.14</b>	<b>655.27</b>	<b>77.08</b>	<b>1.45</b>	<b>730.90</b>	<b>272.24</b>	<b>228.79</b>

### Note 11C: Intangibles

### FY 2020-21

S. No.	Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		Cost as at 1 April 2020	Addition during the year	Adjustments/ Deductions during the year	Total cost as at 31 March 2021	As at 1 April 2020	For the period	Adjustments/ Deductions during the year	As at 31 March 2021	As at 31 March 2021	As at 31 March 2020
1	Software	271.22	57.79	12.80	316.21	258.05	40.59	12.80	285.83	30.38	13.17
	<b>Total</b>	<b>271.22</b>	<b>57.79</b>	<b>12.80</b>	<b>316.21</b>	<b>258.05</b>	<b>40.59</b>	<b>12.80</b>	<b>285.83</b>	<b>30.38</b>	<b>13.17</b>

### FY 2019-20

S. No.	Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		Cost as at 1 April 2019	Addition during the year	Adjustments/ Deductions during the year	Total cost as at 31 March 2020	As at 1 April 2019	For the period	Adjustments/ Deductions during the year	As at 31 March 2020	As at 31 March 2020	As at 31 March 2019
1	Software	257.51	13.70	-	271.22	228.32	29.73	-	258.05	13.17	29.19
	<b>Total</b>	<b>257.51</b>	<b>13.70</b>	<b>-</b>	<b>271.22</b>	<b>228.32</b>	<b>29.73</b>	<b>-</b>	<b>258.05</b>	<b>13.17</b>	<b>29.19</b>

## Notes to Financial Statements for the year ended 31<sup>st</sup> March, 2021

(₹ in Lacs, unless otherwise stated)

### Note 11D: Right To Use Asset

FY 2020-21

S. No.	Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		Cost as at 1 April 2020	Addition during the year	Adjustments/ Deductions during the year	Total cost as at 31 March 2021	As at 1 April 2020	For the period	Adjustments/ Deductions during the year	As at 31 March 2021	As at 31 March 2021	As at 31 March 2020
1	Right of Use Asset	97.56	-	-	97.56	36.62	36.52	-	73.14	24.42	60.94
	<b>Total</b>	<b>97.56</b>	<b>-</b>	<b>-</b>	<b>97.56</b>	<b>36.62</b>	<b>36.52</b>	<b>-</b>	<b>73.14</b>	<b>24.42</b>	<b>60.94</b>

FY 2019-20

S. No.	Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		Cost as at 1 April 2019	Addition during the year	Adjustments/ Deductions during the year	Total cost as at 31 March 2020	As at 1 April 2019	For the period	Adjustments/ Deductions during the year	As at 31 March 2020	As at 31 March 2020	As at 31 March 2019
1	Right of Use Asset	-	97.56	-	97.56	-	36.62	-	36.62	60.94	-
	<b>Total</b>	<b>-</b>	<b>97.56</b>	<b>-</b>	<b>97.56</b>	<b>-</b>	<b>36.62</b>	<b>-</b>	<b>36.62</b>	<b>60.94</b>	<b>-</b>

Effective April 10, 2019, the Company has adopted Ind AS 116 'Leases' and applied the same to all lease contracts existing on April 01, 2019 using the modified retrospective approach with right of use asset recognised at an amount equal to the adjusted lease liability. Accordingly, comparative figures for the corresponding periods, for the year ended and as at March 30, 2019 have not been retrospectively adjusted.

As per Ind AS 116-Leases applicable for April, 01, 2019, the amount of depreciation charged on Right of Use Asset for the financial year ending March 31, 2021 amounts to Rs. 36.52 lacs (P.Y. Rs. 36.62 lacs), amount charge as interest expense of leased liability under the Finance cost amount to Rs. 3.79 lacs (P.Y. Rs. 6.83 lacs) and the actual lease rent reversed from the administrative expenses for the period 20-21 amounts to Rs. 40.58 lacs (P.Y. Rs. 40.58 lacs). The net charge to the Statement of Profit and Loss comes to Rs. (0.27) lacs (P.Y. Rs. 2.87 lacs). The policy relating to Leases is explained in Note 2 (II).

### Note 11D: Right to Use Asset (contd.)

The company has applied Ind AS 116 using the modified retrospective approach, details of which are as under:

i. Following are the changes in the carrying value of right of use assets for the year ended March 31, 2021:

#### Buildings

Particulars	31.03.2021	31.03.2020
Opening balance	60.94	-
Additions	-	97.56
Depreciation	36.52	36.62
<b>Balance</b>	<b>24.42</b>	<b>60.94</b>

ii. The following is the movement in lease liabilities year ended March 31, 2021:

Particulars	31.03.2021	31.03.2020
Opening balance	63.81	-
Additions	-	97.56
Interest on lease liabilities	3.79	6.83
Payment of lease liabilities	(40.58)	(40.58)
<b>Balance</b>	<b>27.02</b>	<b>63.81</b>

## Notes to Financial Statements for the year ended 31<sup>st</sup> March, 2021

(₹ in Lacs, unless otherwise stated)

iii. The table below provides details regarding the contractual maturities of lease liabilities on an undiscounted basis:

Particular	31.03.2021	31.03.2020
Less than one year	18.16	40.58
One to five years	9.07	24.77
More than five years	3.49	5.95
<b>Total undiscounted lease liabilities</b>	<b>30.72</b>	<b>71.30</b>

The lessee's interest rate implicit applied to lease liabilities on the date of initial application is 8.65 % p.a.

### Note 12: Other non financial assets

	31st March, 2021	31st March, 2020
Prepaid expenses	30.72	25.97
Unamortised expenses towards staff	29.09	62.93
<b>Total</b>	<b>59.82</b>	<b>88.90</b>

### Note 13: Payables

	31st March, 2021	31st March, 2020
<b>Trade payables</b>		
Total outstanding dues of Micro Enterprises and Small Enterprises	-	-
Total outstanding dues of Creditors other than Micro Enterprises and Small Enterprises	74.28	110.31
<b>(a)</b>	<b>74.28</b>	<b>110.31</b>
<b>Other payables</b>		
Total outstanding dues of Micro Enterprises and Small Enterprises	-	-
Total outstanding dues of Creditors other than Micro Enterprises and Small Enterprises	-	-
<b>(b)</b>	<b>-</b>	<b>-</b>
<b>Total (a) + (b)</b>	<b>74.28</b>	<b>110.31</b>

Trade Payables aging schedule	Outstanding for following periods from due date of payment		
<b>2020-21</b>			
<b>Particulars</b>	<b>Less than 1 year</b>	<b>1-2 years</b>	<b>Total</b>
(i) MSME	-	-	-
(ii) Others	74.28	-	74.28

## Notes to Financial Statements for the year ended 31<sup>st</sup> March, 2021

(₹ in Lacs, unless otherwise stated)

(iii) Disputed Dues- MSME	-	-	-
(iv) Disputed Dues-Others	-	-	-

2019-20

Particulars	Less than 1 year	1-2 years	Total
(i) MSME	-	-	-
(ii) Others	110.31	-	110.31
(iii) Disputed Dues- MSME	-	-	-
(iv) Disputed Dues-Others	-	-	-

### Note 14 (a): Debt Securities

	31st March, 2021	31st March, 2020
Commercial Paper Borrowings	-	49,319.75
<b>Total</b>	<b>-</b>	<b>49,319.75</b>

### Note 14 (b): Borrowings (Other than debt securities)

	31st March, 2021	31st March, 2020
<b>At amortised cost</b>		
<b>Secured</b>		
<b>Term loans</b>		
<b>-From Banks</b>		
- From RBI (LAF borrowing, Term LAF and Refinance borrowing)*3	-	171,772.00
- Loans from Related Party (Punjab National Bank)* 6	53,009.73	92,999.29
<b>-From Other Parties</b>		
- TREPS (Tri-Party Repo System) borrowing from CCIL *4	70,747.37	1,109.66
- REPO borrowings*5	6,88,231.83	7,19,433.34
<b>Unsecured</b>		
<b>Term loans</b>	-	
<b>-From Banks</b>		
- Call, Notice and Term borrowings	1,74,335.00	1,81,800.00
<b>Total gross (A)</b>	<b>9,86,323.93</b>	<b>11,67,114.29</b>

## Notes to Financial Statements for the year ended 31<sup>st</sup> March, 2021

(₹ in Lacs, unless otherwise stated)

Borrowings in India	9,86,323.93	11,67,114.29
Borrowings outside India	-	-
<b>Total gross (B)</b>	<b>9,86,323.93</b>	<b>11,67,114.29</b>
<b>Total (B) to tally with (A)</b>	<b>9,86,323.93</b>	<b>11,67,114.29</b>

1. All the borrowings are of short term in nature and are repayable within 12 months with a fixed rate of interest. There is no default as on the balance sheet date in repayment of borrowings and interest thereon.
2. During the year, Net Average and Peak borrowings in Call money amounted to Rs. 2,13,101.91 lacs and Rs. 4,69,090.00 lacs respectively (P.Y. 2019-20 Net Average and Peak borrowings - Rs 2,09,731.88 lacs and Rs. 4,04,075.00 lacs respectively). For the year 2020-21, average and peak leverage ratio stands at 10.41 and 15.16 respectively (P.Y. 2019-20 average and peak leverage ratio stands at 10.44 and 12.90 respectively).
3. Pledge of Security Face Value for year 2020-21 -Rs. Nil and Book value Rs.Nil (Pledge of Security Face Value for P.Y. 2019-20 Rs.1,76,259.40 lacs and Book Value Rs. 1,79,458.52 lacs).
4. Pledge of Security Face Value for year 2020-21Rs.81,500.00 lacs and Book value Rs.81,500.00 lacs (Pledge of Security Face Value for P.Y. 2019-20 Rs.2,500.00 lacs and Book Value Rs. 2,500.00 lacs) .
5. Pledge of Security Face Value for year 2020-21Rs. 6,65,310.00 lacs and Book value Rs.6,77,523.51 lacs (Pledge of Security Face Value for P.Y. 2019-20 Rs. 6,98,469.00 lacs and Book Value Rs. 7,13,773.27 lacs).
6. Pledge of Security Face Value for year 2020-21 Rs. 10,000.00 lacs and Book value Rs.9,981.50 lacs (Pledge of Security Face Value for P.Y. 2019-20 Rs.10,000.00 lacs and Book Value Rs. 10,118.12 lacs).
7. The weighted average rate of interest for the borrowings are as follows:

-TREPS from CCIL	3.37%
- Repo	3.45%
- Call & Notice Money Borrowing	3.35%
- Term Borrowing	3.68%
- Loan from related party (PNB)	6.70%

### Note 15: Other financial liabilities

	31st March, 2021	31st March, 2020
<b>Interest accrued but not due</b>		
Short term borrowings	165.91	459.17
Unclaimed dividend	139.76	76.62
Unclaimed bonus fractional entitlement payable	-	0.32
Stale cheques	0.03	2.77
Amount payable	0.50	-
Advance received from constituent	96.23	-
Earnest money received	-	1.07
<b>Total</b>	<b>402.42</b>	<b>539.96</b>



## Notes to Financial Statements for the year ended 31<sup>st</sup> March, 2021

(₹ in Lacs, unless otherwise stated)

### Note 16: Current Tax Liabilities

Particulars	31st March, 2021	31st March, 2020
Provision for Tax 2005-06	-	11.44
Provision for Tax 2007-08	0.40	-
Provision for Tax 2008-09	2.11	-
Provision for Tax 2009-10	200.91	5.14
Provision for Tax 2010-11	6.64	5.77
Provision for Tax 2011-12	-	-
Provision For Tax 2012-13	4.76	11.20
Provision for Tax 2013-14	-	8.34
Provision for Tax 2015-16	48.17	-
Provision for Tax 2016-17	9.95	8.57
Provision for Tax 2017-18	26.74	-
Provision for Tax 2019-20	-	64.00
Provision for Tax 2020-21	958.91	-
<b>Total</b>	<b>1,258.60</b>	<b>114.46</b>

All years denote financial years.

### Note 17: Provisions

	31st March, 2021	31st March, 2020
<b>Provision for employee benefits</b>		
Leave liability	17.55	350.10
Gratuity	2.20	-
Provision for Performance Linked Incentive	192.00	259.00
<b>Others</b>		
Provision for expenses	45.23	108.14
Provision for I.A. on 9.60% SREI Equipment Fin Ltd	226.22	-
Provision for 9.60% SREI Equipment Fin Ltd (Invnt)	740.25	-
<b>Total</b>	<b>1,223.45</b>	<b>717.24</b>

Provision for leave encashment and availment has reduced on account of encashment of all the paid leaves to the employees.

For provision of Investment and Interest Accrued (I.A.) on 9.60% SREI Equipment Fin. Ltd. refer note 30.

## Notes to Financial Statements for the year ended 31<sup>st</sup> March, 2021

(₹ in Lacs, unless otherwise stated)

### Note 18: Other Non-Financial Liabilities

	31st March, 2021	31st March, 2020
TDS payable	243.56	16.58
GST payable	9.04	9.03
<b>Total</b>	<b>252.59</b>	<b>25.61</b>

### Note 19. Share Capital

Particulars	31-Mar-21		31-Mar-20	
	No. of Shares	Amount	No. of Shares	Amount
<b>Authorised:</b>				
50,00,00,000 Equity shares of Rs. 10/- each	50,00,00,000	50,000.00	50,00,00,000	50,000.00
<b>Issued, subscribed and Paid Up</b>	18,00,10,134	18,001.01	18,00,10,134	18,001.01
18,00,10,134 Equity shares of Rs.10/- each fully paid up				
<b>Promoter:</b>				
Punjab National Bank	13,33,33,333	13,333.33	13,33,33,333	13,333.33
13,33,33,333 Equity shares of Rs.10/- each fully paid up				
Share holding (%)	74.07%	74.07%	74.07%	74.07%
<b>Share holding more than 5% details:</b>				
Punjab National Bank	13,33,33,333	13,333.33	13,33,33,333	13,333.33
13,33,33,333 Equity shares of Rs.10/- each fully paid up				
Share holding (%)	74.07%	74.07%	74.07%	74.07%

### Reconciliation of the number of shares (face value Rs 10 paid up)

	31st March, 2021	31st March, 2020
Opening number of shares	180,010,134	180,010,134
Add: Additions during the year	-	-
Less: Reduction during the year	-	-
<b>Closing number of shares</b>	<b>180,010,134</b>	<b>180,010,134</b>

## Notes to Financial Statements for the year ended 31<sup>st</sup> March, 2021

(₹ in Lacs, unless otherwise stated)

### Shareholding of Punjab National Bank

2020-21

Shares held by Punjab National Bank at the end of the year				% change during the year
S.no.	Promoter Name	No. Of shares	% of Total Shares	
1	Punjab National Bank	13,33,33,333	74.07%	Nil

2019-20

Shares held by Punjab National Bank at the end of the year				% change during the year
S.no.	Promoter Name	No. Of shares	% of Total Shares	
1	Punjab National Bank	13,33,33,333	74.07%	Nil

### Rights, preferences and restrictions attaching to each class of shares including restrictions on the distribution of dividends and the repayment of capital:

The Company has only one class of shares having a par values of Rs. 10 per share. Each holder of equity shares is entitled to one vote per share. Dividend distribution is for all equity shareholders who are eligible for dividend as on record date. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

**Shares reserved for issue under options and contracts/commitments for the sale of shares/disinvestment, including the terms and amounts :** NIL (Previous Year : NIL).

**For the periods of five years immediately preceding the date as at which the Balance Sheet is prepared:**

**a. Aggregate number and class of shares allotted as fully paid pursuant to contracts(s) without payment being received in cash :** NIL (Previous year: NIL).

**b. Aggregate number and class of shares allotted as fully paid -up by way of bonus shares is:** The Company issued bonus shares in August, 1999 and number of equity shares issued as bonus were 2,50,00,000 and in July, 2013 and the number of equity shares issued as bonus were 4,49,92,534. Aggregate of equity shares issued as bonus shares are 6,99,92,534. During the current year, equity shares issued as bonus shares NIL (previous Year: NIL).

**c. Aggregate number and class of shares bought back:** NIL (Previous year : Nil)

**Terms of any securities convertible into equity shares issued along with the earliest date of conversion in descending order starting from farthest such date:** Nil (Previous Year : Nil)

**Calls unpaid (showing aggregate value of calls unpaid by directors and officers):** Nil (Previous Year NIL)

**Forfeited Shares (amount originally paid up) :** NIL (Previous Year Nil)

**Detailed disclosure on capital management is given in Note 35.**

## Notes to Financial Statements for the year ended 31<sup>st</sup> March, 2021

(₹ in Lacs, unless otherwise stated)

### Note 20: Other equity

#### Reserve and surplus

##### (a) Statutory reserve

	31st March, 2021	31st March, 2020
Opening balance	28,881.79	25,154.70
Addition during the year	9,082.34	3,727.09
<b>Closing balance</b>	<b>37,964.13</b>	<b>28,881.79</b>

##### (b) Securities premium reserve

	31st March, 2021	31st March, 2020
Opening balance	2,501.27	2,501.27
Addition during the year	-	-
<b>Closing balance</b>	<b>2,501.27</b>	<b>2,501.27</b>

##### (c) General reserve

	31st March, 2021	31st March, 2020
Opening balance	9,776.54	9,776.54
Addition during the year	-	-
<b>Closing balance</b>	<b>9,776.54</b>	<b>9,776.54</b>

##### (d) Capital reserve

	31st March, 2021	31st March, 2020
Opening balance	6,320.04	6,320.04
Addition during the year	-	-
<b>Closing balance</b>	<b>6,320.04</b>	<b>6,320.04</b>

##### (e) Market fluctuation reserve

	31st March, 2021	31st March, 2020
Opening balance	6,300.00	6,300.00
Addition during the year	-	-
<b>Closing balance</b>	<b>6,300.00</b>	<b>6,300.00</b>

## Notes to Financial Statements for the year ended 31<sup>st</sup> March, 2021

(₹ in Lacs, unless otherwise stated)

### (f) Retained earning

	31st March, 2021	31st March, 2020
Opening balance	32,472.43	20,713.64
Addition during the year	45,385.19	18,524.05
Transferred to other reserves	(9,082.34)	(3,727.09)
Dividends (including dividend distribution tax)	(18,001.01)	(3,038.17)
<b>Closing balance</b>	<b>50,774.27</b>	<b>32,472.43</b>
<b>Total</b>	<b>1,13,636.22</b>	<b>86,252.07</b>

- A sum of Rs. 9,082.34 lacs (P.Y. 2019-20 Rs.3,727.09 lacs) (20 per cent of Profit After Tax) has been transferred to Statutory Reserve Fund as per RBI Guidelines. The same is not free for distribution of dividend.
- Market Fluctuation Reserve - For the financial year 2020-21, Board of Directors had decided not to appropriate any amount to this reserve and the balance outstanding as on 31st March, 2021 in this reserve is Rs.6,300.00 lacs (P.Y. 2019-20 Rs.6,300.00 lacs). The same is not free for distribution of dividend.
- The Board of Directors have recommended a final dividend of Rs.3.00/- per equity share amounting to Rs. 5,400.30 lacs for FY 20-21 after the balance sheet date. The same is subject to approval by the shareholders at the ensuing Annual General Meeting of the company and therefore proposed final dividend of Rs. 5,400.30 lacs has not been recognised as a liability as at the balance sheet date. Proposed final dividend for FY 2019-20 of Rs 3/- per equity share of Rs. 10 each amounting to Rs.5,400.30 lacs lacs has been accounted for in the current financial year.
- An amount of Rs. 5400.30 lacs has been paid as Interim Dividend in Quarter ended December, 2020. Also, a second interim dividend was paid in quarter ended March, 2021 amounting to Rs. 7,200.40 lacs.
- The Company has made a policy choice to recognise the effect of Taxation Laws Amendment Ordinance 2019 ('the Ordinance') for the financial year ended 31st March , 2021. Accordingly, the tax rate for the FY ended 20-21 is 25.168% .

### Nature and purpose of reserves:

- Statutory reserve-** Statutory reserve is created pursuant to section 45-IC of Reserve Bank of India Act. 1934. The Company shall transfer therein a sum not less than 20% of its net profit every year as disclosed in the statement of profit and loss and before any dividend is declared. No appropriation of any sum from the reserve fund shall be made by the Company except for the purpose as may be specified by RBI.
- Securities premium reserve** - Securities premium reserve is used to record the premium on issue of shares. The reserve can be utilised only for limited purposes such as issuance of bonus shares in accordance with the provisions of the Companies Act, 2013.
- General reserve** - General reserves are the free reserves of the Company which are kept aside out of company's profits to meet future obligations. General reserves is a free reserve which can be utilised for any purpose after fulfilling certain conditions. No amount has been transferred to general reserve during the year ended 31st March, 2021 and 31st March, 2020.
- Capital reserve-** Capital reserve represents the amount of net profit (after tax) through sale of securities from HTM category of investments maintained as per earlier RBI guidelines. The same will be utilized as per the regulatory guidelines and is not free for distribution of dividend.

## Notes to Financial Statements for the year ended 31<sup>st</sup> March, 2021

(₹ in Lacs, unless otherwise stated)

- (e) **Market fluctuation reserve-** 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. The same is not free for distribution of dividend.
- (f) **Retained Earnings-** These represent the surplus in the Statement of Profit and Loss and is free for distribution of dividend.

### Note 21: Interest income

	Year ended 31st March, 2021	Year ended 31st March, 2020
<b><u>On financial assets measured at amortised cost</u></b>		
(a) <b>Interest on loans</b>		
-Short term lending	705.78	624.08
(b) <b>Other interest income</b>		
-Deposit with CCIL	36.15	29.35
-Interest on deposits with banks	28.87	277.06
(I)	<b>770.79</b>	<b>930.50</b>
<b><u>On financial assets classified at fair value through profit and loss</u></b>		
(c) <b>Interest income from Investments</b>		
-Government securities	60,495.01	60,489.44
-Corporate bonds and debentures	10,696.56	9,853.43
(d) <b>Other interest income</b>		
-Interest on trading swaps	(573.02)	(214.90)
-Interest on non competitive sales	17.68	7.03
(II)	<b>70,636.23</b>	<b>70,135.00</b>
<b><u>On financial assets classified at fair value through profit and loss</u></b>		
(e) <b>Commercial papers</b>	433.57	99.80
Certificate of deposits	-	275.71
Treasury bills/cash management bills	6,042.79	5,204.54
(III)	<b>6,476.36</b>	<b>5,580.05</b>
<b>Total Interest Income (I+II+III)</b>	<b>77,883.38</b>	<b>76,645.56</b>
<b>Note 22: Rental income</b>		
Rent received*	9.60	11.00
<b>Total</b>	<b>9.60</b>	<b>11.00</b>

\* As per the policy of the Company, the flats owned by the Company are given to its employees only. However, in remote situations, flats are given to PNB employees.

## Notes to Financial Statements for the year ended 31<sup>st</sup> March, 2021

(₹ in Lacs, unless otherwise stated)

### Note 23: Net gain/ (loss) (Realised & Unrealised)

	Year ended 31st March, 2021	Year ended 31st March, 2020
<b><u>Net gain/ (loss) on financial instruments at fair value through profit or loss</u></b>		
On trading portfolio		
- Investment	20,561.91	15,285.00
- Derivatives	4,693.95	(4,135.04)
<b>Total net gain/(loss) (Realised &amp; Unrealised)</b>	<b>25,255.85</b>	<b>11,149.96</b>
<b><u>A. Trading Profit/(loss) (Realised)</u></b>		
<b>(a) Government securities</b>		
Sales	2,72,07,742.92	3,76,30,802.29
Add: Closing stock	7,50,179.03	9,21,111.10
Less: Purchases	2,70,15,601.12	3,80,53,804.94
Less: Opening stock	9,21,111.10	4,95,311.93
<b>Total</b>	<b>21,209.74</b>	<b>2,796.52</b>
<b>(b) T-Bills and CMBs</b>		
Sales	45,79,368.02	34,10,601.71
Add: Closing stock	1,78,339.26	2,15,513.14
Less: Purchases	45,42,234.22	34,63,507.32
Less: Opening stock	2,15,513.14	1,62,301.56
<b>Total</b>	<b>(40.08)</b>	<b>305.96</b>
<b>(c) Commercial Papers (CPs)</b>		
Sales	14,802.06	28,552.39
Add: Closing stock	-	9,504.25
Less: Purchases	5,267.31	38,053.68
Less: Opening stock	9,504.25	-
<b>Total</b>	<b>30.50</b>	<b>2.96</b>
<b>(d) Certificate of Deposits (CDs)</b>		
Sales	-	86,394.92
Add: Closing stock	-	-
Less: Purchases	-	21,636.36
Less: Opening stock	-	64,750.33
<b>Total</b>	<b>-</b>	<b>8.23</b>



## Notes to Financial Statements for the year ended 31<sup>st</sup> March, 2021

(₹ in Lacs, unless otherwise stated)

<b>(e) Bonds &amp; Debentures</b>		
Sales	27,83,760.98	27,54,851.89
Add: Closing stock	1,59,630.05	1,41,413.70
Less: Purchases	27,96,427.32	27,33,856.67
Less: Opening stock	1,41,413.70	1,57,837.09
<b>Total</b>	<b>5,550.02</b>	<b>4,571.82</b>
<b>(f) Equity Shares</b>		
Sales	1,700.64	3,308.84
Add: Closing stock	48.78	-
Less: Purchases	1,518.16	3,049.82
Less: Opening stock	-	269.01
<b>Total</b>	<b>231.25</b>	<b>(9.98)</b>
<b>(g) Mutual Funds</b>		
Sales	-	7.71
Add: Closing stock	-	-
Less: Purchases	-	-
Less: Opening stock	-	-
<b>Total</b>	<b>-</b>	<b>7.71</b>
<b>(h) Derivatives</b>		
Interest Rate Swaps	-	-
Interest Rate Futures	34.16	(528.69)
Futures & Options	148.66	0.64
<b>Total</b>	<b>182.82</b>	<b>(528.05)</b>
<b>Total Trading profit/(loss) (Realised) (a+b+c+d+e+f+g+h) (A)</b>	<b>27,164.24</b>	<b>7,155.15</b>

### **B. Fair value changes: Unrealised**

<b>(a) Government Securities</b>		
Add: Closing Stock	4,324.52	8,584.95
Less: Opening Stock	8,584.95	602.29
<b>Total</b>	<b>(4,260.43)</b>	<b>7,982.66</b>
<b>(b) T-Bills and CMBs</b>		
Add: Closing Stock	(45.58)	279.12
Less: Opening Stock	279.12	572.42
<b>Total</b>	<b>(324.70)</b>	<b>(293.30)</b>

## Notes to Financial Statements for the year ended 31<sup>st</sup> March, 2021

(₹ in Lacs, unless otherwise stated)

<b>(c) Commercial Papers (CPs)</b>			
Add: Closing Stock	-	18.10	
Less: Opening Stock	18.10	-	
<b>Total</b>	<b>(18.10)</b>	<b>18.10</b>	
<b>(d) Certificate of Deposits (CDs)</b>			
Add: Closing Stock	-	-	
Less: Opening Stock	-	14.68	
<b>Total</b>	<b>-</b>	<b>(14.68)</b>	
<b>(e) Bonds &amp; Debentures</b>			
Add: Closing Stock	(1,805.71)	27.04	
Less: Opening Stock	27.04	120.26	
<b>Total</b>	<b>(1,832.75)</b>	<b>(93.22)</b>	
<b>(f) Equity Shares</b>			
Add: Closing Stock	16.46	-	
Less: Opening Stock	-	(2.23)	
<b>Total</b>	<b>16.46</b>	<b>2.23</b>	
<b>(g) Mutual Funds</b>		-	-
<b>(h) Derivatives</b>		4,511.13	(3,606.99)
<b>Total fair value changes (Unrealised) (a+b+c+d+e+f+g+h) (B)</b>		<b>(1,908.39)</b>	<b>3,994.80</b>
<b>Total Net gain/ (loss) (Realised &amp; Unrealised) (A+B)</b>		<b>25,255.85</b>	<b>11,149.96</b>

### Note 24: Fees and commission income

	Year ended 31st March, 2021	Year ended 31st March, 2020
Underwriting fees	1,591.30	123.86
Commission and other fees	455.66	291.36
<b>Total</b>	<b>2,046.96</b>	<b>415.22</b>

The Company received underwriting commission from the Reserve Bank of India (RBI) towards underwriting issuances of government securities. RBI vide its letter dated December 01, 2020 proposed to reimburse the ST/ GST on the total underwriting commission paid by RBI from July 01, 2012 to Nov 2020. The Company has received this reimbursement during Q4, 2021 which includes an amount of Rs. 58.90 lacs as underwriting fee relating to 9 months ended Dec 31, 2020.

## Notes to Financial Statements for the year ended 31<sup>st</sup> March, 2021

(₹ in Lacs, unless otherwise stated)

### Note 25: Other income

	Year ended 31st March, 2021	Year ended 31st March, 2020
Amount received from MMCBL**	-	10.00
Profit on sale of property, plant and equipment	1.62	-
Other miscellaneous income #	28.00	25.42
<b>Total</b>	<b>29.62</b>	<b>35.42</b>

\*\*Last year. Rs. 10.00 Lacs was received from Madhavpura Mercantile Cooperative Bank Ltd. (MMCBL) under liquidation proceedings to whom Rs. 1000.00 lacs was lent in call money in the year 2001. An amount of Rs. 761.88 lacs was to be received from MMCBL and the same was written off from the books in the year 2016.

# Interest on staff loans amounts to Rs. 14.06 lacs (PY: Rs.18.89 lacs).

### Note 26: Finance Cost

	Year ended 31st March, 2021	Year ended 31st March, 2020
<b><i>On financial liabilities measured at amortised cost</i></b>		
<b>Interest on borrowings</b>		
Call and short notice borrowing	7,924.98	11,733.42
TREPS borrowing	560.76	1,798.83
Repo borrowing	28,102.10	30,552.76
RBI borrowing	810.87	6,074.48
Overdraft borrowing	164.48	1,268.13
Interest expense on lease liability	3.79	6.83
Interest expense on CP Borrowing	1,851.05	463.70
ICD borrowing	63.11	27.76
<b>Total</b>	<b>39,481.15</b>	<b>51,925.90</b>

### Note 27: Fee and commission expense

	Year ended 31st March, 2021	Year ended 31st March, 2020
Brokerage on securities and financial instruments	12.69	10.64
Financial information services	82.41	60.72
Operating expenses for futures and options	26.55	0.81
Operating expenses for equity	12.22	7.18
Operating expenses for IRF	2.35	12.12
Operating expenses for CP	16.28	13.21
Stamp Duty charges on NSLR stock and OIS	1.72	-
Transaction charges etc	863.24	865.54
Bank charges and Processing fee	176.18	92.29
<b>Total</b>	<b>1,193.65</b>	<b>1,062.51</b>

## Notes to Financial Statements for the year ended 31<sup>st</sup> March, 2021

(₹ in Lacs, unless otherwise stated)

### Note 28: Employees benefit expenses

	Year ended 31st March, 2021	Year ended 31st March, 2020
Salaries and allowances*	958.58	866.19
Stipend expenses	60.16	34.78
Contribution to PF and gratuity fund	137.49	54.97
Staff welfare and other establishment expenses	72.89	176.03
Staff recruitment and training	21.99	17.92
<b>Total</b>	<b>1,251.11</b>	<b>1,149.88</b>

\*The Provision for Performance linked incentive is Rs. 192.00 lacs. (P.Y. - Rs. 259.00 lacs)

### Note 29: Other expenses

	Year ended 31st March, 2021	Year ended 31st March, 2020
Rent on business premises *	162.52	162.52
Less: Rent reversal as per Ind AS 116	(40.58)	(40.58)
Postage, telegram, couriers and telephone	10.25	19.37
Travelling and conveyance and motor car expense	22.17	42.36
Printing and stationery	1.85	10.48
Repairs to building	34.61	25.81
Repairs and maintenance - Others	98.47	116.24
Internal audit fees and expense	22.77	19.47
Legal and professional expense	52.27	33.08
Listing fees	7.61	7.88
Books and periodicals	0.49	2.32
Workshops and business meets	20.94	44.27
Water and electricity expenses	19.34	18.67
Insurance charges	3.65	2.81
Director's sitting fees	43.78	34.52
Auditors remuneration (refer note a)	40.47	47.79
Adhoc staff expenses	63.10	55.85
Net loss on disposal of property, plant and equipment	-	0.01
Share transfer fees	6.50	8.28
Corporate membership	4.38	3.65
Advertisement and publicity	5.97	3.42
Board / statutory meeting expenses	(3.73)	7.07

## Notes to Financial Statements for the year ended 31<sup>st</sup> March, 2021

(₹ in Lacs, unless otherwise stated)

Miscellaneous expenses (refer note b)	15.79	10.65
Bank Charges (other than demat charges)	4.38	0.69
CSR expenses (refer Note 47)	207.91	237.99
<b>Total</b>	<b>804.95</b>	<b>874.62</b>

\*Lease agreements of New Delhi and Chennai office expired in October 2018 and September 2016 respectively. PNB (Lessor) issued notice in October 2018 to PNB Gilts Limited to vacate the office in Delhi. In the meanwhile, the Company has been paying rent to PNB as per the earlier agreement only and the same procedure was followed from the expiry of the respective lease agreements of Delhi and Chennai. The Company is in the process of finding suitable place in Delhi as well as in Chennai for its office.

### a) Payment to Auditors

#### As auditor:

	Year ended 31st March, 2021	Year ended 31st March, 2020
- Audit fee	25.20	32.40
- Tax audit fee	3.00	3.00
-GST Audit Fee	1.50	1.50
<b>In other capacity:</b>		
- Certification fees	4.60	3.60
<b>Total Auditor fee</b>	<b>34.30</b>	<b>40.50</b>
Add: GST@18%	6.17	7.29
<b>Total cost to the Company</b>	<b>40.47</b>	<b>47.79</b>

b) This amount includes the amount of Rs. 3.29 lacs paid to CCIL on 17.02.2021 on account of SGL bouncing. Also, an amount of Rs. 1.08 lacs was paid to CCIL on account of shortfall in cash margin maintained with CCIL on 09.03.2021.

An amount of Rs. 4.91 lacs was paid to RBI on account of SGL bouncing.

### Note 30: Exceptional Items

Exceptional Items comprise the following:

	Year ended 31st March, 2021	Year ended 31st March, 2020
i) Write off of 9.05% Dewan Housing Finance Corporation 09/09/2019 and interest accrued on it.	-	(5,423.14)
ii) Write off of 8.70% Reliance Homes 03-01-2020 and interest accrued on it	-	(2,698.44)
iii) Provision of I.A. on 9.60% SREI Equipment Finance Limited (#1)	(226.22)	-
iv) Provision for Investment in 9.60% SREI Equipment Finance Limited (#2)	(740.25)	-
v) Underwriting fee pertaining to prior years (July 17 to March 2020) (#3)	93.88	-
vi) Extra TDS booked in 2019-20, reversed (#4)	(0.03)	-
<b>Total</b>	<b>(872.62)</b>	<b>(8,121.58)</b>

## Notes to Financial Statements for the year ended 31<sup>st</sup> March, 2021

(₹ in Lacs, unless otherwise stated)

### #1 and #2

Srei Equipment Finance Limited (SEFL) had approached National Company Law Tribunal (NCLT), Kolkata with a Scheme of Arrangement. The Scheme of Arrangement broadly proposes a moratorium in terms of coupon payments from January 1, 2021 to June 30, 2021 along with postponement of redemption dates based on the type of creditor. Consequent to the Scheme of Arrangement proposed by the Company, Hon'ble NCLT, Kolkata passed an order dated December 30, 2020.

The NCLT order stated the following: "In exercise of powers conferred u/s. 230 of the Companies Act, 2013 read with Rule 11 of NCLT Rules, 2016 and until the Scheme is considered by the said creditors and this Tribunal and to protect the interest of stakeholders, we direct that in the meantime till further orders, the Creditors (including representative security and debenture trustees) of the Applicant Company covered under the Scheme shall maintain status quo with respect to their respective contractual terms dues claims and rights and the creditors (including security and debenture trustees) and all governmental or regulatory authorities shall be stopped from taking any coercive steps including reporting in any form and/or changing the account status of the Company from being a standard asset, which will prejudicially affect the company and/or sanctioning and/or implementation of the Scheme. It is further directed that the Credit Rating Agencies shall not consider any such non-payment to be a default under the respective debt documents and shall maintain the rating(s) of SEFL at least that of investment grade."

As per the NCLT order, the meeting of Secured debenture trustees/holders will be held on May 15, 2021, May 29, 2021, June 12, 2021, June 26, 2021, July 10, 2021, July 24, 2021 respectively for the purpose of their considering, and if thought fit, approving, with or without modification, the said Scheme of Arrangement.

The Company holds 9.60% SREI EQUIPMENT FINANCE LTD DB 25-05-2028 security with a Face value of 23.50 Crore and its interest payment of Rs. 2.26 crore was not received on the due date (31<sup>st</sup> March 2021). In view of the above NCLT order, we can't consider Srei Equipment Finance Limited (SEFL) as a default.

However, the same paper has been traded in market at a price of Rs. 31.50 and valued at Rs. 740.25 lacs and loss of Rs. 1,587.59 lacs is booked under 'fair value change-unrealised' in the statement of profit and loss. In addition to that, provision for Interest accrued of Rs, 226.22 lacs and the market value of Rs. 740.25 lacs outstanding in the books as on 31.03.2021 has been shown under exceptional items in the Statement of Profit and Loss.

### #3

The Company received underwriting commission from the Reserve Bank of India (RBI) towards underwriting issuances of government securities. RBI vide its letter dated December 01, 2020 proposed to reimburse the ST/GST on the total underwriting commission paid by RBI from July 01, 2012 to Nov 2020. The exceptional item for Q4 2021 and FY 2021 includes Rs. 93.88 lacs of underwriting fee relating to the period from July 01, 2017 to March 31, 2020. The year wise breakup of Rs. 93.88 lacs is as follows:

Year	Amount (Rs. In lacs)
July 17-Mar 18	17.94
Apr 18- Mar 19	53.65
Apr 19- Mar 20	22.29
<b>Total</b>	<b>93.88</b>

### #4

An amount of Rs. 0.03 lacs was booked as extra TDS in the FY 19-20. The same has been reversed in the current year.

## Notes to Financial Statements for the year ended 31<sup>st</sup> March, 2021

(₹ in Lacs, unless otherwise stated)

### Note 31: Earnings Per Share (EPS)

Basic earnings per share is calculated by dividing the net profit for the year attributable to equity holders of the Company by the weighted average number of equity shares outstanding during the year.

Diluted EPS is calculated by dividing the net profit attributable to equity holders of the Company after adjusting for the effect of dilution, by the weighted average number of equity shares outstanding during the year plus the weighted average number of equity shares that would be issued on the conversion of all the dilutive potential ordinary shares into equity shares.

	2020-21	2019-20
Net profit from continued operation attributable to equity holders of the parent	45,411.68	18,635.46
Net profit from continuing operation attributable to equity holders of the parent adjusted for the effect of dilution	45,411.68	18,635.46
Weighted average number of equity shares for basic earnings per share	180,010,134.00	180,010,134.00
Weighted average number of equity shares adjusted for the effect of dilution	180,010,134.00	180,010,134.00
<b>Earnings per share</b>		
Basic earnings per share	25.23	10.35
Diluted earnings per share	25.23	10.35

### Note 32: Retirement benefit plan

#### (I) Defined Contribution Plan

The Company makes contributions towards provident fund, in respect of qualifying employees

Particulars	31st March, 2021	31st March, 2020
Employer's contribution to Provident Fund	51.72	40.04

#### (II) Defined benefit plan

##### (A) Leave Liability

The benefit on account of leave liability are provided based on actuarial valuation for the Company as a whole..

Key assumptions	31st March, 2021	31st March, 2020
Mortality Table	I.A.L-2012-14 ultimate	I.A.L-2012-14 ultimate
Attrition Rate	5.00%p.a.	3.00%p.a.
Imputed Rate of Interest (Discounting)	6.76% p.a.	6.77% p.a.
Imputed Rate of Interest (Interest Cost)	6.77% p.a.	7.70% p.a.
Salary Rise	10.00% p.a.	10.00% p.a.
Return on Plan Assets	N.A.	N.A.
Remaining working life	19.53 years	19.74 years

The following tables summarise the components of net benefit expense recognised in the Statement of Profit and Loss and amounts recognised in the balance sheet for the respective plans:



## Notes to Financial Statements for the year ended 31<sup>st</sup> March, 2021

(₹ in Lacs, unless otherwise stated)

### Changes in the defined benefit obligation as at 31st March, 2021

Particulars	1-Apr-20	Service cost (a)	Net interest expense (b)	Sub-total included in profit or loss (a+b)	Benefits paid	Remeasurement (gains)/losses in other comprehensive income	31-Mar-21
	(i)			(ii)	(iii)	(iv)	(v) = (i+ii+iii+iv)
Defined benefit obligation	<b>350.10</b>	2.07	10.83	<b>12.90</b>	(380.21)	34.76	17.55

### Changes in the defined benefit obligation as at 31st March, 2020

Particulars	1-Apr-19	Service cost (a)	Net interest expense (b)	Sub-total included in profit or loss (a+b)	Benefits paid	Remeasurement (gains)/losses in other comprehensive income	31-Mar-20
	(i)			(ii)	(iii)	(iv)	(v) = (i+ii+iii+iv)
Defined benefit obligation	<b>177.20</b>	104.56	11.06	<b>115.62</b>	(67.12)	124.40	350.10

### (B) Gratuity

The disclosure on account of gratuity are provided based on actuarial valuation for the Company as a whole.

Key assumptions	31st March, 2021	31st March, 2020
Mortality Table	I.A.L-2012-14 ultimate	I.A.L-2012-14 ultimate
Attrition Rate	5% p.a.	3% p.a.
Imputed Rate of Interest (Discounting)	6.76% p.a.	6.77% p.a.
Imputed Rate of Interest (Interest Cost)	6.77% p.a.	7.70% p.a.
Salary Rise	10.00% p.a.	10.00% p.a.
Return on Plan Assets	6.77% p.a.	7.70% p.a.
Remaining working life	19.90 years	20.11 years

### Changes in the defined benefit obligation and fair value of plan assets as at 31st March, 2021

Particulars	1-Apr-20	Service cost (a)	Net interest expense (b)	Sub-total included in profit or loss (a+b)	Benefits paid	Return on plan assets (excluding amounts included in net interest expense)	Remeasurement (gains)/losses in other comprehensive income	Contributions by employer	31- Mar- 21
	(i)			(ii)	(iii)	(iv)	(v)	(vi)	(vii) = (i) to (vi)
Defined benefit obligation	156.37	56.97	9.43	<b>66.40</b>	(34.15)	-	(2.24)	-	186.38
Fair value of plan assets	157.09	-	-	-	(34.15)	12.33	(2.89)	84.22	216.60

## Notes to Financial Statements for the year ended 31<sup>st</sup> March, 2021

(₹ in Lacs, unless otherwise stated)

### Changes in the defined benefit obligation and fair value of plan assets as at 31st March, 2020

Particulars	1-Apr-19	Service cost (a)	Net interest expense (b)	Sub-total included in profit or loss (a+b)	Benefits paid	Return on plan assets (excluding amounts included in net interest expense)	Remeasurement (gains)/ losses in other comprehensive income	Contributions by employer	31-Mar-20
	(i)			(ii)	(iii)	(iv)	(v)	(vi)	(vii) = (i) to (vi)
Defined benefit obligation	104.22	19.55	7.95	27.50	(1.87)	-	26.52	-	156.37
Fair value of plan assets	107.74	-	-	-	(1.87)	9.93	(3.01)	44.30	157.09

### (C) Expected payment for future years

#### (i) Gratuity

Based on past service	31st March, 2021	31st March, 2020
Within the next 12 months (next annual reporting period)	7.78	24.53
Between 2 and 5 years	39.71	25.50
Between 5 and 10 years	135.93	61.95
Beyond 10 years	233.06	241.93
<b>Total expected payments</b>	<b>416.48</b>	<b>353.91</b>
Based on terminal service	31st March, 2021	31st March, 2020
Within the next 12 months (next annual reporting period)	8.10	24.73
Between 2 and 5 years	55.19	38.52
Between 5 and 10 years	218.92	84.52
Beyond 10 years	963.70	385.36
<b>Total expected payments</b>	<b>1,245.91</b>	<b>533.13</b>
(ii) Leave Liability		
Based on terminal service	31st March, 2021	31st March, 2020
Within the next 12 months (next annual reporting period)	14.17	56.26
Between 2 and 5 years	0.78	44.84
Between 5 and 10 years	2.33	144.38
Beyond 10 years	4.44	601.35
<b>Total expected payments</b>	<b>21.72</b>	<b>846.83</b>

## Notes to Financial Statements for the year ended 31<sup>st</sup> March, 2021

(₹ in Lacs, unless otherwise stated)

### (D) Sensitivity analysis

#### (i) Gratuity

Assumptions	31-Mar-21		31-Mar-20		31-Mar-21		31-Mar-20		31-Mar-21		31-Mar-20	
	Discount rate		Discount rate		Discount rate		Discount rate		Discount rate		Discount rate	
Sensitivity Level	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease
Impact on defined benefit obligation	(8.90)	9.59	(7.20)	7.80	9.26	(8.69)	2.23	(2.65)	(2.14)	2.31	(0.30)	0.30

#### (ii) Leave Liability

Assumptions	31-Mar-21		31-Mar-20		31-Mar-21		31-Mar-20		31-Mar-21		31-Mar-20	
	Discount rate		Discount rate		Discount rate		Discount rate		Discount rate		Discount rate	
Sensitivity Level	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease
Impact on defined benefit obligation	(0.16)	0.17	(17.17)	18.74	0.16	(0.15)	18.08	(16.76)	(0.04)	0.04	(4.71)	5.16

### Note 33

#### 1. FVTPL financial assets

Ind AS requires FVTPL investments to be measured at fair value and account for both depreciation and appreciation in fair value.

#### 2. Derivative adjustment

Under Ind AS all the Derivatives contracts (Hedging as well as Trading purpose) are measured at Fair value and both depreciation as well as appreciation will be accounted for.

Also, Credit Value Adjustment has been recorded under Ind AS for outstanding derivative liabilities under Ind AS.

#### 3. Fair value of Staff loans

Under Ind AS loans are fair valued and the difference between Fair value and nominal value is recognized as employee cost. This benefit is passed over the tenure of the loan & not on origination, so employee cost would be deferred over the tenure of the loan/ remaining service period whichever is shorter. Also interest income is redetermined by the market rate and the differential amount is charged under Interest income.

#### 4. Defined benefit liabilities

Under Ind AS, remeasurements [comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets excluding amounts included in net interest on the net defined benefit liability] are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI.

#### 5. Company's consultants:

Tax Consultant- Vinod Krishna & Associates

Actuary-Dr. Y.P. Sabharwal

GST Consultant- A.K. Batra and Associates

#### 6. Standards not yet Effective

The Ind AS notified on 16.02.2015 included Ind AS 104, Insurance Contracts (Converged with IFRS 4 Insurance Contracts). The Institute of Chartered Accountants of India (ICAI) issued an exposure draft of Ind AS 117, Insurance Contracts which is consistent with IFRS 17. Ind AS 117 is yet to be notified by MCA. However, this is not applicable to our company.

## Notes to Financial Statements for the year ended 31<sup>st</sup> March, 2021

(₹ in Lacs, unless otherwise stated)

### Note 34: Related party disclosures

#### 1.1 Details of Related Party

Particulars	Relationship
<b>MAJOR LIST OF RELATED PARTY</b>	
Punjab National Bank	Parent
Punjab National Bank (International) Ltd.	Subsidiary of Parent
PNB Investment Services Ltd.	Subsidiary of Parent
PNB Cards & Services Limited	Subsidiary of Parent
Druk PNB Bank Ltd.	Subsidiary of Parent
PNB Insurance Broking Pvt. Ltd.	Subsidiary of Parent
Dakshin Bihar Gramin Bank	Associates of Parent
Sarva Haryana Gramin Bank	Associates of Parent
Himachal Pradesh Gramin Bank	Associates of Parent
Punjab Gramin Bank	Associates of Parent
Prathama UP GRAMIN BANK	Associates of Parent
PNB Housing Finance Ltd.	Associates of Parent
PNB Metlife India Insurance Co. Ltd.	Associates of Parent
JSC Tengri Bank	Associates of Parent
Everest Bank Ltd.	Associates of Parent
Canara HSBC OBC Life Insurance Co. Ltd.	Associates of Parent
India SME Asset Reconstruction Company Limited	Associates of Parent
Assam Gramin Vikas Bank	Associates of Parent
Bangiya Gramin Vikash Bank	Associates of Parent
Tripura Gramin Bank	Associates of Parent
Manipur Rural Bank	Associates of Parent
Pehel Foundation	Subsidiary of PNB Housing Finance Ltd.
PHFL Home Loans & Services Ltd.	Subsidiary of PNB Housing Finance Ltd.
PNB Employees Pension Fund	Post Employment benefit plan of Parent
PNB Employees PF Trust	Post Employment benefit plan of Parent
PNB Employees Gratuity Fund	Post Employment benefit plan of Parent
PNB Gilts Ltd. Employees Group Gratuity Scheme	Post Employment benefit plan of Reporting Entity
Sarva Haryana Gramin Bank Employees Provident Fund	Post Employment benefit plan of Related Party
Bangiya Gramin Vikash Bank (Employees) Provident Fund Trust	Post Employment benefit plan of Related Party
Mr. P.P. Pareek (Independent Director)	Key Managerial Personnel
Mr. S.K. Kalra (Independent Director)	Key Managerial Personnel
Mrs. Uma Ajay relan (Independent Director)	Key Managerial Personnel
Dr. T.M. Bhasin (Independent Director)	Key Managerial Personnel
Sh. Vishesh Kumar Srivastava (Non-Independent Director)	Key Managerial Personnel
Mr. Vikas Goel (Managing Director & CEO)	Key Managerial Personnel
Mrs. Sunita Gupta (Executive Director & CFO) (Retired August 31,2020)	Key Managerial Personnel
Mrs. Monika Kochar (Company Secretary)	Key Managerial Personnel
Mr. Chandra Praskash (CFO)	Key Managerial Personnel

## Notes to Financial Statements for the year ended 31<sup>st</sup> March, 2021

(₹ in Lacs, unless otherwise stated)

### 1.2 Compensation of key management personnel of the Company

Key management personnel are those individuals who have the authority and responsibility for planning and exercising power to directly or indirectly control the activities of the Company and its employees. The Company considers the members of the Board of Directors which include independent directors (and its sub-committees) and Executive Committee to be key management personnel for the purposes of IND AS 24 Related Party Disclosures.

	2021	2020
	INR Lacs	INR Lacs
Short-term employee benefits		
- Mr. S.K. Dubey- MD (from April 01, 2018 to January 31, 2019)		9.19
- Mr. Vikas Goel-MD & CEO	157.70	100.47
- Mrs. Sunita Gupta (ED & CFO) (from April 01, 2020 to August 31, 2020)	49.76	63.21
- Mrs. Monika Kochar (Company Secretary)	54.33	26.94
- Mr. Chandra Prakash (CFO) (w.e.f. 28.02.2021)	1.29	-
- Sitting Fee to Non-Executive Directors	43.78	34.52
Termination benefits	69.06	-
<b>TOTAL</b>	<b>375.92</b>	<b>234.33</b>

Above remuneration includes performance linked incentive (PLI), which is paid based on the performance of the Company and employee in the previous Financial year i.e. on deferred basis, as recommended by Nomination & Remuneration Committee and approved by the Board. During FY 20-21, PLI paid to Mr. Vikas Goel (Managing Director) was Rs.35 lacs, to Mrs. Sunita Gupta (Executive Director and CFO) was Rs. 23.50 lacs and to Mrs. Monika Kochar (Company Secretary) was Rs. 5.50 Lacs. An amount of Rs.2.09 lacs to Mr.S.K.Dubey (previous MD) for air tickets as per board approval. Mrs.Sunita Gupta (ED & CFO) on retirement was paid a Gratuity Amount of Rs.26.34 lacs and Rs.42.72 lacs as leave encashment. During FY 19-20, PLI paid to Mr. Vikas Goel (Managing Director) was Rs.4.18 lacs, to Mr. S.K. Dubey (previous MD) was Rs. 9.19 lacs, to Mrs. Sunita Gupta (Executive Director and CFO) was Rs. 9.28 lacs and to Mrs. Monika Kochar (Company Secretary) was Rs. 2.14 Lacs.

Apart from above, benefit on account of leave encashment and gratuity which are provided based on actuarial valuation for the Company as a whole, is also available.

### 1.3 Transactions with other related parties

All the transactions with related parties are at arm's length prices except leasing of property (renting of business and residential premises of the company) etc. The required disclosure of the same is being given in form AOC-2 forming part of Board's Report.

	2020-21 (Book Value)	2019-20 (Book Value)
<b>1 Security Purchase/Subscription</b>		
Punjab Gramin Bank	76,785.52	1,15,887.41
PNB Employees PF Trust	-	4,692.78
Himachal Gramin Bank	13,047.23	5,924.76
Madhya Bihar Gramin Bank/ Dakshin Bihar Gramin Bank	72,999.37	83,487.98
Sarva Haryana Gramin Bank	49,695.29	54,529.73

## Notes to Financial Statements for the year ended 31<sup>st</sup> March, 2021

(₹ in Lacs, unless otherwise stated)

	2020-21 (Book Value)	2019-20 (Book Value)
Prathama UP Gramin Bank (Earlier known as Sarva UP Gramin Bank)	13,166.09	11,588.66
Punjab National Bank	2,587.97	81,156.34
Principal PNB Asset Management Co. Pvt. Ltd.	-	-
PNB Metlife India Insurance Co. Ltd.		4,652.65
Assam Gramin Vikash Bank	2,97,414.30	-
Bangiya Gramin Vikash Bank	1,30,731.39	-
Canara HSBC OBC Life Insurance Co. Limited	1,389.82	-
Manipur Rural Bank	2,214.20	-
Tripura Gramin Bank	69,460.54	-
<b>2 Security Purchase Against Short Sale</b>		
Madhya Bihar Gramin Bank/ Dakshin Bihar Gramin Bank	14,266.90	60,331.48
Punjab Gramin Bank	1,581.00	6,224.63
Sarva Haryana Gramin Bank	17,147.20	37,360.65
Himachal Pradesh Gramin Bank		1,018.63
Prathama UP Gramin Bank (Earlier known as Sarva UP Gramin Bank)		3,095.20
Assam Gramin Vikash Bank	1,87,165.15	
Bangiya Gramin Bank	65,737.86	
Manipur Rural Bank	3,222.10	
Tripura Gramin Bank	2,73,409.75	
<b>3 Security Sale/ Redemption</b>		
Prathama UP Gramin Bank (Earlier known as Sarva UP Gramin Bank)	74,558.35	54,990.49
Punjab National Bank	1,25,618.12	5,67,134.90
Madhya Bihar Gramin Bank/ Dakshin Bihar Gramin Bank	2,04,388.68	1,58,764.93
Himachal Pradesh Gramin Bank	72,307.20	94,245.55
PNB Housing Finance Ltd.		7,921.40
PNB Employees PF Trust	13,497.75	20,058.73
Punjab Gramin Bank	35,495.11	2,13,129.95
Sarva Haryana Gramin Bank	2,54,886.95	2,47,821.68
PNB Metlife India Insurance Co. Ltd.	16,772.35	17,691.51
PNB Employees Pension Fund		-
Assam Gramin Vikash Bank	6,02,917.20	-
Bangiya Gramin Bank	4,02,645.60	-
Bangiya Gramin Vikash Bank Employees PF Trust	310.99	-
Canara HSBC OBC Life Insurance Co. Limited	3,526.06	-
Manipur Rural Bank	4,039.65	-
Sarva Haryana Gramin Bank Employees Provident Fund	455.07	-
Tripura Gramin Bank	4,91,763.12	-
<b>4 Short Sale</b>		
Sarva Haryana Gramin Bank	-	2,097.80
Madhya Bihar Gramin Bank/ Dakshin Bihar Gramin Bank	-	2,063.80

## Notes to Financial Statements for the year ended 31<sup>st</sup> March, 2021

(₹ in Lacs, unless otherwise stated)

	2020-21 (Book Value)	2019-20 (Book Value)
<b>5 Reverse Repo Lending</b>		
Punjab Gramin Bank	-	160,479.87
Madhya Bihar Gramin Bank/ Dakshin Bihar Gramin Bank	7,416.94	-
<b>6 Interest income on repo lending</b>		
Madhya Bihar Gramin Bank/ Dakshin Bihar Gramin Bank	1.52	-
Punjab Gramin Bank	-	55.52
<b>7 Repo</b>		
Madhya Bihar Gramin Bank/ Dakshin Bihar Gramin Bank	-	10,165.68
<b>8 Interest expense on Repo</b>		
Madhya Bihar Gramin Bank/ Dakshin Bihar Gramin Bank	-	2.24
<b>9 Profit on Sale/Purchase against short sale</b>		
Madhya Bihar Gramin Bank/ Dakshin Bihar Gramin Bank	351.91	256.30
Prathama UP Gramin Bank (Earlier known as Sarva UP Gramin Bank)	241.70	88.98
Punjab National Bank	35.00	(168.80)
Himachal Pradesh Gramin Bank	141.38	231.50
PNB Housing Finance Ltd.		56.49
PNB Employees PF Trust	(2.25)	66.20
Punjab Gramin Bank	47.09	442.16
PNB Employees Pension Fund	-	-
PNB Metlife India Insurance Co. Ltd.	28.86	25.91
Sarva Haryana Gramin Bank	594.58	(452.31)
Assam Gramin Vikash Bank	1,079.68	-
Bangiya Gramin Bank	13.04	-
Canara HSBC OBC Life Insurance Co. Limited	7.72	-
Manipur Rural Bank	6.90	-
Sarva Haryana Gramin Bank Employees Provident Fund	5.05	-
Tripura Gramin Bank	159.47	-
<b>10 Fee Income</b>		
Himachal Pradesh Gramin Bank	2.22	1.67
PNB Housing Finance Ltd.	0.32	0.40
Madhya Bihar Gramin Bank/ Dakshin Bihar Gramin Bank	1.39	0.95
Punjab Gramin Bank	1.25	1.37
Sarva Haryana Gramin Bank	2.14	0.94
PNB Employees Pension Fund	2.04	2.12
PNB Employees PF Trust	1.48	0.99
PNB Employees Gratuity Fund	0.40	0.52
Prathama UP Gramin Bank (Earlier known as Sarva UP Gramin Bank)	1.59	0.87
Assam Gramin Vikash Bank	0.74	-
Bangiya Gramin Bank	1.68	-



## Notes to Financial Statements for the year ended 31<sup>st</sup> March, 2021

(₹ in Lacs, unless otherwise stated)

	2020-21 (Book Value)	2019-20 (Book Value)
Manipur Rural Bank	0.17	-
Sarva Haryana Gramin Bank Employees Provident Fund	0.01	-
Tripura Gramin Bank	1.08	-
<b>11 Rent Paid</b>		
Punjab National Bank	160.68	160.68
<b>12 Bank Charges Paid</b>		
Punjab National Bank	32.76	4.13
<b>13 Rent booked in Statement of Profit and Loss from PNB</b>	9.60	11.00
<b>14 Term Insurance premium paid</b>		
PNB Metlife India Insurance Co. Ltd.	-	3.84
<b>15 Rent receivable from PNB</b>	0.20	0.43
<b>16 TDS receivable on rent from PNB</b>	0.56	0.90
<b>17 Interest accrued on CD</b>		
Punjab National Bank	-	181.84
<b>18 Line of credit availed</b>		
Punjab National Bank	1,16,305.91	4,12,591.57
<b>19 Outstanding Overdraft facility availed</b>		
Punjab National Bank	53,010.00	-
<b>20 Interest paid on line of credit</b>		
Punjab National Bank	164.47	1,268.13
<b>21 Processing fee paid/payable to PNB</b>	147.50	88.50
<b>22 Bank Balance with PNB</b>	154.12	117.90
<b>23 Dividend paid/payable to PNB</b>	13,333.33	1,866.67
<b>24 Arranger fee received from PNB</b>	15.60	-
<b>25 TDS receivable on arranger fee from PNB</b>	0.99	-
<b>26 GST TDS receivable on arranger fee from PNB</b>	0.26	-
<b>27 TDS paid/payable to PNB on dividend</b>	1,000	-

## Notes to Financial Statements for the year ended 31<sup>st</sup> March, 2021

(₹ in Lacs, unless otherwise stated)

### Note 35: Capital management

For the purpose of the Company's capital management, capital includes issued equity capital, securities premium and all other equity reserves attributable to the equity holders of the Company. The primary objective of the Company's capital management is to maximise the shareholder value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. The Company monitors capital using a capital adequacy ratio, which is weighted assets divided by total capital derived as per the RBI requirements. As per the RBI guidelines, the Company being a Non Banking Finance Company has to maintain 15% of capital adequacy ratio.

The actual Capital Adequacy Ratio is as under:

	31st March, 2021	31st March, 2020
Capital Adequacy Ratio	45.58%	32.47%

In order to achieve this overall objective, the Company's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowing in the current period.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31st March, 2021 and 31st March, 2020.

### Note 36: Change in liabilities arising from financing activities

Particulars	1-Apr-20	Cash Flows	Changes in fair values	Exchange difference	Other	31-Mar-21
Payables	110.31	(36.03)	-	-	-	74.28
Borrowing other than debt securities	1,167,114.29	(1,80,790.36)	-	-	-	9,86,323.93
Other financial liabilities	539.96	(137.54)	-	-	-	402.42

Particulars	1-Apr-19	Cash Flows	Changes in fair values	Exchange difference	Other	31-Mar-20
Payables	72.44	37.87	-	-	-	110.31
Borrowing other than debt securities	8,23,391.94	3,43,722.35	-	-	-	1,167,114.29
Other financial liabilities	809.83	(269.87)	-	-	-	539.96

### Note 37:Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

## Notes to Financial Statements for the year ended 31<sup>st</sup> March, 2021

(₹ in Lacs, unless otherwise stated)

### CONTINGENT LIABILITY

#### CLAIMS AGAINST THE COMPANY NOT ACKNOWLEDGED AS DEBT

Under the Income Tax Act, the following amounts are under dispute, the details of which are as under:

Assessment year	2020-21	2019-20	Forum where pending
2007-08 under section 115WE(1) of the Income Tax Act, 1961	-	1.33	AO
2008-09 under section 115WE(1) of the Income Tax Act, 1961	-	0.13	AO
2008-09 under section 143(3) of the Income Tax Act, 1961	3.59	1.78	AO
2011-12 under section 154 of the Income Tax Act, 1961	-	3.21	AO
2012-13 under section 143(3) of the Income Tax Act, 1961	-	342.80	AO/ High Court
2014-15 under section 271(1)(c) of the Income Tax Act, 1961	-	7.12	AO
2014-15 under section 143(3) of the Income Tax Act, 1961	-	201.57	ITAT
2016-17 under section 143(3) of the Income Tax Act, 1961	120.53	123.83	CIT(A)
2017-18 under section 143 (3) of the Income Tax Act, 1961	31.57	180.63	CIT(A)
2018-19 under section 143 (3) of the Income Tax Act, 1961	40.02	-	CIT(A)
2019-20 under section 143 (1) of the Income Tax Act, 1961	-	252.83	AO
<b>TOTAL</b>	<b>195.71</b>	<b>1,115.23*</b>	

\* The above contingent liabilities will be increased by the interest payable for delay in payment and penalties, if any. The amount is not quantified.

#### Note 38: Segment information

The Company's primary business segment is reflected based on the principal business carried out, i.e. trading in securities. The Company does not meet the definition of operating segments, therefore no operating segments reporting is done. The risk and returns of the business of the Company is not associated with geographical segmentation, hence there is no secondary segment reporting based on geographical segment.

#### Note 39: Maturity analysis of assets and liabilities

	31st March, 2021			31st March, 2020		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
<b>Assets</b>						
<b>Financial assets</b>						
Cash and cash equivalents	140.32	-	140.32	74.40	-	74.40
Bank balance other than above	488.00	139.76	627.76	488.00	76.94	564.94
Derivative financial instruments	91,558.37	-	91,558.37	97,667.49	-	97,667.49
Loans	6,389.71	181.34	6,571.05	7,500.00	244.85	7,744.85
Investments	10,90,686.81	-	10,90,686.81	12,96,451.40	-	12,96,451.40

## Notes to Financial Statements for the year ended 31<sup>st</sup> March, 2021

(₹ in Lacs, unless otherwise stated)

	31st March, 2021			31st March, 2020		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Other financial assets	16,057.13	7,735.95	23,793.08	16,989.57	5,547.59	22,537.16
<b>Non- financial assets</b>						
Current tax assets (net)	224.26	-	224.26	327.53	-	327.53
Deferred tax assets (net)	-	-	-	-	-	-
Investment property	-	18.37	18.37	-	27.04	27.04
Right of Use Asset	-	24.42	24.42	-	60.94	60.94
Property, plant and equipment	-	233.72	233.72	-	272.24	272.24
Other Intangible assets	-	30.38	30.38	-	13.17	13.17
Other non- financial assets	30.72	29.09	59.82	25.97	62.93	88.90
<b>Total Assets</b>	<b>12,05,575.33</b>	<b>8,393.03</b>	<b>12,13,968.36</b>	<b>14,19,524.36</b>	<b>6,305.71</b>	<b>14,25,830.06</b>
<b>Liabilities</b>						
<b>Financial liabilities</b>						
Derivative financial instruments	92,523.13	-	92,523.13	1,02,683.35	-	1,02,683.35
Trade Payables (other than MSME)	74.28	-	74.28	110.31	-	110.31
Debt Securities	-	-	-	49,319.75	-	49,319.75
Borrowing (other than debt securities)	9,86,323.93	-	9,86,323.93	11,67,114.29	-	11,67,114.29
Lease Liability	-	27.02	27.02	-	63.81	63.81
Other financial liabilities	262.14	140.28	402.42	459.17	80.79	539.96
<b>Non financial liabilities</b>						
Current tax liabilities (net)	1,258.60	-	1,258.60	103.02	-	103.02
Provisions	463.45	17.55	481.00	367.14	350.10	717.24
Deferred tax liabilities (net)	-	245.70	245.70	-	888.21	888.21
Other Non financial liabilities	252.59	-	252.59	25.61	-	25.61
<b>Total Liabilities</b>	<b>10,81,158.12</b>	<b>430.55</b>	<b>10,81,588.67</b>	<b>13,20,182.64</b>	<b>1,382.91</b>	<b>13,21,576.98</b>

## Notes to Financial Statements for the year ended 31<sup>st</sup> March, 2021

(₹ in Lacs, unless otherwise stated)

### Note 40: Risk Management

#### Introduction and risk profile

The Company is primarily a dealer in debt and money market instruments. In view of the intrinsic nature of operations, the Company is exposed to a variety of risks, which can be broadly classified into credit risk, market risk and liquidity risk. It is also subject to various regulatory risks and operational risks. Well-established systems and procedures provide adequate defense against the regulatory and operational risk.

#### Risk management struture and policies

In terms of RBI guidelines for NBFCs, the Risk Management Committee, has been entrusted with the responsibility by the Board in laying down procedures for risk assessment and minimization. The Committee also reviews these procedures periodically to ensure that executive management is implementing and controlling the risks through means of a properly defined risk framework. Risk Management Policy is reviewed annually by the Audit Committee and on the basis of the Committee's recommendation, the Board approves the same. On the recommendation of the Committee, PVBP (Price value of a basis point) limit of the trading portfolio increased from Rs. 450 lacs to Rs. 550 Lacs (PY Rs. 300 lacs to Rs. 450 Lacs). The one day VaR limit was also revised from Rs. 60 crore to 7.5% of audited NOF or quarter end NOF (whichever is lower) on the entire marked to market portfolio (PY Rs. 60 cr). Leverage limit was revised from 14.5 times to 20 times quarter end Board approved NOF (PY 13 times to 14.5 times of NOF trailing 3 months' average).

#### (A) Liquidity risk

Liquidity risk is defined as the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stress circumstances.

The Company manages its liquidity requirement by analysing the maturity pattern of Company's cash flows of financial assets and financial liabilities. The Asset Liability Management of the Company is periodically reviewed by the Board.

The table below summarises the maturity profile of the undiscounted cash flows of the Company's financial liabilities as at 31st March, 2021:

The Liquidity Coverage Ratio for 20-21 is 119.31 (P.Y. 152.63)

31-Mar-21	1 day to 1 month	Over 1 month to 2 months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Borrowings from Banks	2,27,575.55	-	-	-	-	-	-	-	2,27,575.55
Market Borrowing	7,59,337.21	-	-	-	-	-	-	-	7,59,337.21
	9,86,912.76	-	-	-	-	-	-	-	9,86,912.76

The table below summarises the maturity profile of the undiscounted cash flows of the Company's financial liabilities as at 31st March, 2020:

31-Mar-20	1 day to 1 month	Over 1 month to 2 months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Borrowings from Banks	1,66,754.08	-	98,337.68	-	-	-	-	-	2,65,091.76
Market Borrowing	9,00,178.98	22,520.55	30,000.00	-	-	-	-	-	9,52,699.53
	10,66,933.06	22,520.55	1,28,337.68	-	-	-	-	-	1,217,791.29

## Notes to Financial Statements for the year ended 31<sup>st</sup> March, 2021

(₹ in Lacs, unless otherwise stated)

### (B) Credit Risk

Credit risk is the risk that the Company will incur a loss because its customers or counterparties fail to discharge their contractual obligations. Counterparty exposure limits and instrument-wise exposure limits are the primary tools used for managing the credit risk in the business. The Company uses the Current Exposure (CE) method for calculating credit exposure on derivative transactions as mentioned in RBI's capital adequacy guidelines for Primary Dealer's.

### Analysis of risk concentration

In terms of paragraph 18 of the RBI notification **DNBS (PD) CC No.178/03.02.001/2010-11** dated 1st July 2010, all the non-deposit taking non-banking financial companies shall adhere to the specific regulations limiting concentration in credit / investment to a single borrower or group of borrowers in a company. However, these concentration/ceilings would not be applicable where principal and interest are fully guaranteed by the Government of India. The maximum credit exposure, to any single borrower or counterparty was Rs. 31,500.00 lacs (P.Y. 2019-20 Rs. 25,023.63 lacs) and to single group of borrower or counterparty was Rs. 26,975.00 lacs (P.Y. 2019-20 Rs. 34,088.56 lacs), before and after taking into account collateral or other credit enhancements.

### C) Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates and equity prices. Value-at-Risk (VaR), Price Value of a Basis Point (PVBP) limits, sensitivity analysis and cut-loss policies form the core of market risk management system. Impact of interest rate movements on the business and earnings profile, is mitigated by operating within a well-defined proactive stop loss limit and value-at-risk (VaR) limit. The company also conducts sensitivity analysis of its portfolio to assess impact of parallel and non-parallel shifts in the yield curve on its earnings profile. Risk concentrations are restricted with specific limits mentioned above.

The Company's exposure to market risk is segregated into trading and non-trading portfolios :

	31st March,2021			31st March,2020			
	Carrying amount	Traded risk	Non-traded risk	Carrying amount	Traded risk	Non-traded risk	Primary risk sensitivity
<b>ASSETS</b>							
<b>Financial assets</b>							
Cash and cash equivalents	140.32	-	140.32	74.40	-	74.40	Interest rate
Bank balance other than above	627.76	-	627.76	564.94	-	564.94	Interest rate
Derivative financial instruments	91,558.37	91,558.37	-	97,667.49	97,667.49	-	Interest rate
Loans	6,571.05	-	6,571.05	7,744.85	-	7,744.85	Interest rate
Investments	10,90,686.81	10,90,686.81	-	12,96,451.40	12,96,451.40	-	Interest rate
Other financial assets	23,793.08	-	23,793.08	22,537.16	-	22,537.16	
<b>Total</b>	<b>12,13,377.39</b>	<b>11,82,245.18</b>	<b>31,132.21</b>	<b>14,25,040.24</b>	<b>13,94,118.89</b>	<b>30,921.35</b>	
<b>LIABILITIES</b>							
<b>Financial liabilities</b>							
Derivative financial instruments	92,523.13	92,523.13	-	1,02,683.35	1,02,683.35	-	Interest rate
Trade Payables							
(i) total outstanding dues of micro enterprises and small enterprises	-	-	-	-	-	-	

## Notes to Financial Statements for the year ended 31<sup>st</sup> March, 2021

(₹ in Lacs, unless otherwise stated)

	31st March,2021			31st March,2020			
	Carrying amount	Traded risk	Non-traded risk	Carrying amount	Traded risk	Non-traded risk	Primary risk sensitivity
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises	74.28	-	74.28	110.31	-	110.31	
Other payables	-	-	-	-	-	-	
(i) total outstanding dues of micro enterprises and small enterprises	-	-	-	-	-	-	
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises	-	-	-	-	-	-	
Debt Securities	-			49,319.75			
Borrowing (other than debt securities)	9,86,323.93	-	9,86,323.93	11,67,114.29	-	11,67,114.29	Interest rate
Other financial liabilities	402.42	-	402.42	539.96	-	539.96	
<b>Total</b>	<b>10,79,323.76</b>	<b>92,523.13</b>	<b>9,86,800.63</b>	<b>13,19,767.66</b>	<b>1,02,683.35</b>	<b>11,67,764.56</b>	

### Market risk – trading

Internal Value-At-Risk model( VaR model) is performed to compute the market risk of trading portfolio. For computing market risk, the Company uses the historical simulation non-parametric approach. Under this approach, the risk measure is an estimate of the amount that could be lost on trading portfolio in a 1 day holding period due to general market movements such as Interest rate risk, Spread risk, price risk etc over 250 trading days, at 99% confidence level.

### Objective

Historical Simulation is the procedure for predicting value at risk (VaR) by “simulating” or constructing the cumulative distribution function of asset returns over time. It does not require any statistical assumption beyond stationary of the distribution of returns or, in particular, their volatility.

### Limitation:

The limitation of the historical simulation lies in its I.I.D. (independent, identically distributed ) assumption of returns. From empirical evidence, it is known that asset returns are clearly not independent as they exhibit certain patterns such as volatility clustering. Unfortunately historical Simulation does not take into account such patterns.

I. Random chance (a very low probability event).

II. Markets moved by more than the likely prediction of the model (i.e. volatility was significantly higher than expected).

III. Markets did not move together as expected (i.e. correlations were significantly different than what was assumed by the model).

### Assumptions:

This approach requires fewer statistical assumptions for underlying market factors:.

- A horizon of 1 trading day
- A 99% confidence interval
- An observation period based on at least 250 Days of historical data



## Notes to Financial Statements for the year ended 31<sup>st</sup> March, 2021

(₹ in Lacs, unless otherwise stated)

	Interest Rate Risk	Equity & Equity F&O	Other*
2019-20 -31st March	2,493.00	-	46.85
2019-20 -Average	2,312.17	13.15	56.36
2019-20- Maximum	3,641.81	39.08	590.10
2019-20 -Minimum	1,129.20	-	-

	Interest Rate Risk	Equity & Equity F&O	Other*
2020-21 -31st March	2,114.79	3.82	-
2020-21 -Average	3,782.99	48.83	-
2020-21- Maximum	6,313.26	207.66	-
2020-21 -Minimum	1,872.32	0.80	-

\*Other includes Currency Derivative and IRF

### Back testing

It is the Company's policy to perform regular back-testing to validate the Company's VaR calculations. When back-testing, the Company compares daily profits and losses with the estimates derived from the Company's VaR model. The Company presents the results of back-testing to the RBI quarterly.

During 2020-21, the Company recorded one back-testing exceptions (2019-20: four exceptions), when hypothetical losses exceeded daily VaR limit. While there were no back testing exceptions on comparison of actual losses with dailyVaR.

### Market risk – Non trading

#### Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Company have fixed rate bank deposits and borrowings and hence not exposed to interest rate risk as far as these financial instruments are concerned.

## Note 41 Fair value measurement

### 41.1 Valuation principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price), regardless of whether that price is directly/ indirectly observable or estimated using a valuation technique.

In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques.

### 41.2 Valuation governance

The Company's fair value methodology and the governance over its models includes a number of controls and other procedures to ensure appropriate safeguards are in place to ensure its quality and adequacy. All new product initiatives (including their valuation methodologies) are subject to approvals by the management. The responsibility of ongoing measurement resides with the risk department.

The Risk department validates fair value estimates by:

- Benchmarking prices against observable market prices given by Financial Benchmark India Private Limited (FBIL) or other independent sources
- Re-performing model calculations
- Evaluating and validating input parameters.

## Notes to Financial Statements for the year ended 31<sup>st</sup> March, 2021

(₹ in Lacs, unless otherwise stated)

### 41.3 Assets and liabilities by fair value hierarchy

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	31st March, 2021					31st March, 2020				
	Carrying Value	Level 1	Level 2	Level 3	Total	Carrying Value	Level 1	Level 2	Level 3	Total
<b>Assets measured at fair value</b>										
Derivative financial instruments										
Interest rate swaps	91,558.37	-	91,558.37	-	91,558.37	97,667.49	-	97,667.49	-	97,667.49
<b>Total derivative financial instruments</b>	<b>91,558.37</b>	<b>-</b>	<b>91,558.37</b>	<b>-</b>	<b>91,558.37</b>	<b>97,667.49</b>	<b>-</b>	<b>97,667.49</b>	<b>-</b>	<b>97,667.49</b>
Financial investment held for trading										
Government Securities	9,32,797.23	-	9,32,797.23	-	9,32,797.23	11,45,488.31	-	11,45,488.31	-	11,45,488.31
Debt Securities	1,57,824.34	-	1,57,824.34	-	1,57,824.34	1,50,963.09	-	1,50,963.09	-	1,50,963.09
Equity instruments	65.24	65.24	-	-	65.24	-	-	-	-	-
<b>Total financial investment held for trading</b>	<b>10,90,686.81</b>	<b>65.24</b>	<b>10,90,621.57</b>	<b>-</b>	<b>10,90,686.81</b>	<b>12,96,451.40</b>	<b>-</b>	<b>12,96,451.40</b>	<b>-</b>	<b>12,96,451.40</b>
<b>Total assets measured at fair value</b>	<b>11,82,245.18</b>	<b>65.24</b>	<b>11,82,179.94</b>	<b>-</b>	<b>11,82,245.18</b>	<b>13,94,118.89</b>	<b>-</b>	<b>13,94,118.89</b>	<b>-</b>	<b>13,94,118.89</b>
<b>Liabilities measured at fair value</b>										
Derivative financial instruments										
Interest rate swaps/IRF	92,523.13	-	92,523.13	-	92,523.13	1,02,683.35	38.78	1,02,644.57	-	1,02,683.35
<b>Liabilities measured at fair value</b>	<b>92,523.13</b>	<b>-</b>	<b>92,523.13</b>	<b>-</b>	<b>92,523.13</b>	<b>1,02,683.35</b>	<b>38.78</b>	<b>1,02,644.57</b>	<b>-</b>	<b>1,02,683.35</b>

### 41.4 Valuation techniques

#### Government Securities (Central Government Securities and State Government Securities)

Government securities are financial instruments issued by Central and State Governments. The valuation under this category is done on the basis of prices provided by Fixed Income Money Market and Derivatives Association (FIMMDA) and hence classified as level 2.

#### Treasury Bills (T-Bills)

Treasury Bills are short-term financial instruments issued by sovereign governments. FBIL has developed the FBIL-TBILL, a benchmark for the money market based on Treasury bills traded in the market. FBIL-TBILL is announced for seven tenors of 14 days, 1 month, 2 months, 3 months, 6 months, 9 months and 12 months. FBIL-TBILL is calculated on the basis of secondary market trades executed. For Valuation, the Company uses FBIL-TBILL benchmark and based on that benchmark, the Company interpolates and calculates T-Bills prices corresponding to their residual maturities and are classified as Level 2.

#### Certificate of Deposits (CD)

Certificate of Deposits are short-term financial instruments issued by Banks. FBIL has developed the FBIL-CD, a new benchmark for the money market based on traded CDs reported on the FIMMDA Trade Reporting and

## Notes to Financial Statements for the year ended 31<sup>st</sup> March, 2021

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Confirmation System (FTRAC) platform of CCIL. FBIL-CD is announced for seven tenors of 14 days, 1 month, 2 months, 3 months, 6 months, 9 months and 12 months. For Valuation, the Company uses FBIL-CD benchmark and based on that benchmark, the Company interpolates and calculates CD prices corresponding to there residual maturities and are classified as Level 2.

### Commercial Papers (CP)

Commercial Paper is a monetary instrument issued by corporate bodies in the nature of promissory note. The issue of commercial papers is highly regulated and supervised by the Reserve Bank of India (RBI). Commercial Papers are reported on the FIMMDA Trade Reporting and Confirmation System (FTRAC) platform. As currently, CP curve is not published by FBIL/FIMMDA till then for valuation, company shall use market observable spread over T-Bill curve and based on that new benchmark ( T-Bill + constant Spread across the curve) company shall interpolate and calculate CP prices corresponding to the residual maturities. Investments in CPs shall be classified as Level 2.

### Corporate bonds and debentures

Whilst most of these instruments are standard fixed or floating rate securities, some may have more complex coupon or embedded derivative characteristics. For valuation, Company uses last 15 days market prices when available, or other observable inputs (i.e. FIMMDA credit spread matrix and G-sec par curve) in discounted cash flow models . As corporate bonds and debenture fair valuations are based on the FIMMDA methodology, either directly (i.e. as prices) or indirectly (i.e. derived from related curve and spread), such instruments are classified as Level 2.

### Equity instruments

The equity instruments are actively traded on public stock exchanges with readily available active prices on a regular basis. Such instruments are classified as Level 1. All the company's equity instruments are traded ones.

### Mutual Funds

Units held in Liquid debt mutual funds are valued based on their published net asset value (NAV), such instruments are classified under Level 1.

### Exchange traded derivative

These derivative instruments are actively traded on public stock exchanges with readily available active prices on a regular basis. Such instruments are classified as Level 1. All the company's exchange traded derivatives are traded ones.

### Interest rate derivatives

Interest rate derivatives include interest rate swaps. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations by estimating future cash flows and discounting them with the appropriate yield curves incorporating funding costs relevant for the position. These contracts are generally Level 2 unless adjustments to yield curves or credit spreads are based on significant non-observable inputs, in which case, they are Level 3. Company is having all the Level 2 interest rate derivatives.

**41.5** There have been no transfers between Level 1, Level 2 and Level 3 for the year ended 31<sup>st</sup> March, 2020 and 31<sup>st</sup> March, 2021.

### 41.6 Valuation adjustments

Credit and Debit valuation adjustments (CVA/DVA)

The Company calculates CVA/DVA on a counterparty basis over the entire life of the exposure. CVA is calculated by multiplying the probability of default (PD), the loss given default (LGD) and the expected exposure (EE) at the time of default.

## Notes to Financial Statements for the year ended 31<sup>st</sup> March, 2021

(₹ in Lacs, unless otherwise stated)

A Debit valuation adjustment (DVA) is applied to incorporate the Company's own credit risk in the fair value of derivatives (i.e., the risk that the Company might default on its contractual obligations), using the same methodology as for CVA (i.e., applying the company's PD and multiplying it with LGD and EE).

The Company applies CVA to all relevant (not fully collateralised) over-the-counter positions with the exception of positions settled through central clearing houses and DVA to all relevant (not fully collateralised) over the counter positions and positions settled through central clearing houses. Based on regular assessment of the extent of the adjustments, the Company concluded that these adjustments were not significant to the levelling classification of the relevant instruments in 2020 or 2021.

### 41.7 Impact of valuation adjustments

The following table shows the amount recorded in the statement of profit and loss:

	2020-21	2019-20
Type of adjustment		
Credit value adjustment	-	0.07
<b>Total</b>	-	0.07

### Fair value of financial instruments not measured at fair value

Set out below is a comparison, by class, of the carrying amounts and fair values of the Company's financial instruments that are not carried at fair value in the financial statements. This table does not include the fair values of non-financial assets and non-financial liabilities.

	31st March, 2021					31st March, 2020				
	Carrying Value	Fair Value				Carrying Value	Fair Value			
		Level 1	Level 2	Level 3	Total		Level 1	Level 2	Level 3	Total
<b>Financial Assets:</b>										
Cash and cash equivalents	140.32	140.32	-	-	140.32	74.40	74.40	-	-	74.40
Bank balance other than above	627.76	627.76	-	-	627.76	564.94	564.94	-	-	564.94
Loans	6,571.05	-	6,571.05	-	6,571.05	7,744.85	-	7,744.85	-	7,744.85
Other Financial assets	23,793.08	-	23,793.08	-	23,793.08	22,537.16	-	22,537.16	-	22,537.16
<b>Total financial assets</b>	<b>31,132.21</b>	<b>768.08</b>	<b>30,364.13</b>	<b>-</b>	<b>31,132.21</b>	<b>30,921.35</b>	<b>639.34</b>	<b>30,282.01</b>	<b>-</b>	<b>30,921.35</b>
<b>Financial Liabilities:</b>										
Trade payables	74.28	-	74.28	-	74.28	110.31	-	110.31	-	110.31
Other payables	-	-	-	-	-	-	-	-	-	-
Debt securities	-	-	-	-	-	49,319.75	-	49,319.75	-	49,319.75
Borrowing (other than debt securities)	9,86,323.93	-	9,86,323.93	-	9,86,323.93	11,67,114.29	-	11,67,114.29	-	11,67,114.29
Other financial liabilities	402.42	-	402.42	-	402.42	539.96	-	539.96	-	539.96
<b>Total financial liabilities</b>	<b>9,86,800.63</b>	<b>-</b>	<b>9,86,800.63</b>	<b>-</b>	<b>9,86,800.63</b>	<b>12,17,084.31</b>	<b>-</b>	<b>12,17,084.31</b>	<b>-</b>	<b>12,17,084.31</b>

## Notes to Financial Statements for the year ended 31<sup>st</sup> March, 2021

(₹ in Lacs, unless otherwise stated)

### 41.9 Valuation methodologies of financial instruments not measured at fair value

Below are the methodologies and assumptions used to determine fair values for the above financial instruments which are not recorded and measured at fair value in the Company's financial statements. These fair values were calculated for disclosure purposes only. The below methodologies and assumptions relate only to the instruments in the above tables

#### Short-term financial assets and liabilities

For financial assets and financial liabilities that have a short-term maturity (less than twelve months), the carrying amounts, which are net of impairment, are a reasonable approximation of their fair value. Such instruments include: cash and cash equivalents, balances other than cash and cash equivalents, loans, other financial assets, trade payables, Short term borrowings and other financial liabilities. Such amounts have been classified as Level 1 and 2 on the basis that no adjustments have been made to the balances in the balance sheet.

#### Financial asset at amortised cost

These includes staff loans. The carrying amount of such loans after applying Effective Interest Rate are a reasonable approximation of their fair value and have been classified as Level 2.

### NOTE 42: DISCLOSURES ON INTEREST RATE SWAPS

	Hedging Swaps		Trading Swaps	
	31.03.2021	31.03.2020	31.03.2021	31.03.2020
Notional Principal (Gross)	4,16,000.00	5,70,000.00	66,16,000.00	44,38,500.00
Marked to Market Positions	(2,403.47)	(4,750.30)	2,001.77	(162.46)
Max. of 100 * PV01 observed during the year	8,259.82	8,981.00	5,679.05	2,259.20
Min. of 100 * PV01 observed during the year	4,779.29	905.90	22.89	7.90
Market Risk	<p>In the event of 100 basis points adverse movement in interest rate there will be a negative impact of Rs. 4,779.89 lacs (prev. year Rs. 8,309.86 lacs) on Hedging Swaps and Rs. 2,474.96 lacs (prev. year Rs. 1,244.69 lacs) on Trading Swaps in Swap Book.</p> <p>The losses, which would be incurred if, counter parties fail to fulfill their obligations works out to Rs. Nil (P.Y.2019-20 Rs. Nil)</p> <p>The Company's exposure with regard to outstanding swap transactions is limited to banks and CCIL.</p>			
Collateral	No Collateral is insisted upon from counterpart			
Credit Risk Concentration	Rs. Nil (P.Y. 2019-20 Rs. 2,835.71 lacs)			

### NOTE 43: ISSUER COMPOSITIONS OF INVESTMENTS IN NON-GOVERNMENT SECURITIES

As on March 31, 2021, the total stock of Rs. 10,88,197.12 lacs (P.Y. Rs. 12,87,542.29 lacs) (Book Value before providing diminution/appreciation) comprises of

- Govt. Securities (including T. Bills) - Rs. 9,28,518.29 lacs (P.Y. 2019-20 Rs. 11,36,624.24 lacs),
- Equity Instruments - Rs. 48.78 lacs (P.Y. 2019-20 Rs. Nil),
- Money Market instruments - Rs. Nil (P.Y. 2019-20 Rs. 9,504.35 lacs),
- Corporate Bonds and Debentures - Rs. 1,59,630.05 lacs (P.Y. 2019-20 Rs. 1,41,413.70 lacs)

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

- AAA rated - Rs. 1,45,128.02 lacs (P.Y. 2019-20 Rs. 1,31,935.82 lacs)
- AA+ rated bonds - Rs. 7,106.93 lacs (P.Y. 2019-20 Rs. 5,000.00 lacs)
- AA rated bonds - Rs. 5,021.80 lacs (P.Y. 2019-20 Rs. 2,150.03 lacs)

## Notes to Financial Statements for the year ended 31<sup>st</sup> March, 2021

(₹ in Lacs, unless otherwise stated)

- A+ rated bonds - Rs. Nil (P.Y. 2019-20 Rs. Nil)
- A1+ rated Bank CDs. - Rs. Nil (P.Y. 2019-20 Rs. 9,504.35 lacs)
- A rated bonds - Rs. Nil (P.Y. 2019-20 Rs. 2,327.85 lacs)
- BB+ rated bonds - Rs. 45.45 lacs (P.Y. 2019-20 Rs. Nil)
- D rated bonds - Rs. 2,327.84 lacs (P.Y. 2019-20 Rs. Nil)

The ratings of the following bonds have declined as under:

Issuer Name	Migrated Rating	Rating Action
SREI equipment Finance Limited	D	A to D
Shree Maheshwar Hydel Power Corporation Limited	BB+	AAA to BB+

S. No.	Issuer	Book Value	Extent of Private Placement	Extent of Below Investment Grade Securities	Extent of Unlisted Securities	Extent of Unrated Securities
1	PSUs	56,826.55 (43,029.70)	NA	NA	NA	NA
2	FIs	5,224.60 (15,887.31)	NA	NA	NA	NA
3	Banks	2,106.93 (Nil)	NA	NA	NA	NA
4	Other PDs	NIL (NIL)	NA	NA	NA	NA
5	Private Corporates	37,909.16 (29,751.89)	NA	NA	NA	NA
6	Subsidiaries/Joint Ventures	NIL (NIL)	NA	NA	NA	NA
7	Others (NBFCs)	57,562.80 (62,249.07)	NA	NA	NA	NA
8	Provision held towards (-diminution)/ appreciation	-1,805.71 (45.14)	NA	NA	NA	NA
	Total	1,57,824.34 (1,50,963.09)	NA	NA	NA	NA

Figures in brackets relate to FY 2019-20

### NOTE 44: CRAR, NET OWNED FUNDS AND RELATED INFORMATION

Sl. No.	Particulars	Current Year	Prev. Year
i)	CRAR (%)	45.58	32.47
ii)	CRAR – Tier I (Capital (%))	45.58	32.47
iii)	CRAR – Tier II (Capital (%))	NA	NA

Capital Adequacy Ratios as per Ind AS on June 30, 2020, September 30, 2020, December 31, 2020 and March 31, 2021 were 26.47 per cent (P.Y. 36.33 per cent), 31.20 per cent (P.Y. 24.49 per cent), 36.50 per cent (P.Y. 25.18 per cent) and 45.58% per cent (P.Y. 32.47 per cent) respectively as against RBI stipulation of 15 per cent.

## Notes to Financial Statements for the year ended 31<sup>st</sup> March, 2021

(₹ in Lacs, unless otherwise stated)

Capital Adequacy Ratio as on March 31, 2021 stands at 45.58% as against RBI stipulation of 15%. (The CRAR has been computed in accordance with the RBI Notification No. DOR (NBFC).CC.PD.No. 109/22.10.106/2019-20 dtd 13.03.2020 according to which the net owned funds for the computation of CRAR have been computed after deducting unrealized gains amounting to Rs. 1,008.55 lacs (appreciation on securities net of tax vide notification no. DOR (NBFC).CC.PD.No. 116/22.10.106/2020-21 dtd 24.07.2020.) (P.Y. 3,957.60 lacs) as on 31.03.2021).

The Net Owned funds of the Company stand at Rs. 1,30,569.21 lacs (P.Y. 1,00,219.38 lacs) as against the minimum stipulated capital of Rs. 25,000 lacs. Return on Average Net Owned Funds for the year 2020-21 stands at 39.35%. (P.Y. 2019- 19.74 %)( The net owned funds of the Company have been calculated after deducting unrealized gains amounting to Rs. 1,008.55 lacs (net of tax) (P.Y. 3,957.60 lacs) on financial assets as per the RBI Notification No. DOR (NBFC).CC.PD.No. 109/22.10.106/2019-20 dtd 13.03.2020 applicable from FY 2019-20 onwards).

### Interest Rate Swaps

Sl. No.	Particulars	Current Year	Prev. Year
i)	The Notional Principal of swap agreements	70,32,000.00	50,08,500.00
ii)	Losses which would be incurred if counterparties fail to fulfill their obligations under the agreements	NIL	NIL
iii)	Concentration of credit risk arising from the swaps	NIL	2,835.71
iv)	The fair value of the swap book	70,31,598.31	50,03,587.25

### Quantitative Disclosures of Interest Rate Swaps for Financial Year 2020-21 are as under:

Sl. No.	Particulars	Current Year	Prev. Year
i)	Derivatives (Notional Principal Amount Outstanding)		
	a) For Hedging	4,16,000.00	5,70,000.00
	b) For Trading	66,16,000.00	44,38,500.00
ii)	Marked to Market Positions		
	a) Asset (+)	81,060.37	93,145.74
	b) Liability (-)	(81,462.06)	(98,058.49)
iii)	Credit Exposures	NIL	2,835.71
iv)	Likely impact of one percentage change in interest rate (100* PV01)		
	a) On Hedging Derivatives	4,779.89	8,309.86
	b) On Trading Derivatives	2,474.96	1,244.69
v)	Maximum and Minimum of 100*PV01 observed		
	a) On Hedging Derivatives	8,259.82 & 4,779.29	8,981.00 & 905.90
	b) On Trading Derivatives	5,679.05 & 22.89	2,259.20 & 7.90

### Qualitative Disclosure on risk exposure in derivatives

The Company has a board approved business policy which acts as an exhaustive document comprising of various regulatory and risk limits. Derivatives' trading is guided by this document and is conducted under the ambit of the policies defined in this document.

The Company follows a strict segregation of functional duties across departments. As a consequence, no single individual shall be in a position to consummate (dealing, settlement, valuation and accounting) a derivatives transaction alone by himself/herself.

The Company measures and monitors risk of its derivatives portfolio using risk metrics such as Value at Risk (VAR), PVBP and stop loss limits. Mid-office calculates and monitors risk management parameters on daily basis and ensures compliance with the policy limits.



## Notes to Financial Statements for the year ended 31<sup>st</sup> March, 2021

(₹ in Lacs, unless otherwise stated)

Over the counter (OTC) derivative transactions are covered under International Swaps and Derivatives Association (ISDA) master agreements with the respective counter parties for credit risk mitigation.

For hedging of Interest Rate Derivative transactions undertaken on the exchanges, Company follows RBI guidelines.

**Quantitative Disclosures of Interest Rate Futures & Currency Derivatives for Financial Year 2020-21 are as under:**

Sl. No.	Particulars	Current Year	Previous Year
i)	Derivatives (Notional Principal Amount Outstanding)		
	For Hedging		
	a) Currency Derivatives	-	-
	b) Interest Rate Futures	-	3,000.00
ii)	Marked to Market Positions (Currency Derivatives)		
	a) Asset (+)	-	-
	b) Liability (-)	-	-
	Marked to Market Positions (Interest Rate Futures)		
	a) Asset (+)	-	-
	b) Liability (-)	-	38.78
iii)	Credit Exposures		
	a) Currency Derivatives	-	-
	b) Interest Rate Futures	-	1.83
iv)	Unhedged Exposures		
	a) Currency Derivatives	-	-
	b) Interest Rate Futures	-	-

**Quantitative Disclosures of Exchange Traded Interest Rate Futures for FY 2020-21 are as under:**

S.No.	Particulars	Current Year	Previous Year
i)	Notional Principal Amount of IRF undertaken during the year	5,075.76	98,468.28
ii)	Notional Principal Amount of IRF outstanding as on 31.03.2021	-	3,019.26
iii)	Notional Principal Amount of IRF outstanding and not highly effective	-	-
iv)	Mark-to-market value of IRF outstanding and not highly effective	-	-

The company has not financed any of its parent company products.

### NOTE 45: REAL ESTATE EXPOSURES

#### Exposure to Real Estate Sector

Category			Current Year(Book Value)	Previous year(Book Value)
a.	i.	Residential Mortgages-		
		Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented;(individual housing loans upto Rs. 15 lacs may be shown separately)	161.26	215.27
	ii.	Commercial Real estate-		

## Notes to Financial Statements for the year ended 31<sup>st</sup> March, 2021

(₹ in Lacs, unless otherwise stated)

		Lending secured by mortgages on commercial real estates (office buildings, retail space, multipurpose commercial premises, multi family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits;	NIL	NIL
	iii.	Investments in mortgage backed securities (MBS and other securitized exposures-		
		Residential Commercial Real Estate	NIL	NIL
b.		Indirect Exposure		
		Fund Based and non fund based exposures on Housing Finance Companies(HFCs)	55,234.96	33,710.37

### NOTE 46: ASSET LIABILITY MANAGEMENT

#### FY-2020-21

	1 day to one month	Over one month to 2 months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 months to one year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
<b>Liabilities</b>									
Borrowings from Banks	2,27,344.73	-	-	-	-	-	-	-	2,27,344.73
Market Borrowings	7,58,979.20	-	-	-	-	-	-	-	7,58,979.20
<b>Assets</b>									
Advances / Investments	10,97,084.59	-	-	-	0.67	1.11	8,328.31	179.56	11,05,594.23

#### FY-2019-20

	1 day to one month	Over one month to 2 months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 months to one year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
<b>Liabilities</b>									
Borrowings from Banks	4,44,071.29	2,500.00	-	-	-	-	-	-	4,46,571.29
Market Borrowings	7,20,543.00	19,718.00	29,601.75	-	-	-	-	-	7,69,862.75
<b>Assets</b>									
Advances / Investments	12,96,461.61	77.77	7,500.00	-	29.62		5,730.66	240.18	13,10,039.84

### NOTE 47: Details of Corporate Social Responsibility expenses:

- Gross amount required to be spent by the Company during the year is Rs. 207.91 lacs (P.Y. 237.99 lacs)
- Amount spent during the year on:

## Notes to Financial Statements for the year ended 31<sup>st</sup> March, 2021

(₹ in Lacs, unless otherwise stated)

		In cash/cheque	Yet to be paid in cash/ cheque	Total
(i)	Construction/acquisition of any asset	NIL	NIL	NIL
(ii)	On purposes other than (i) above (Towards PM Cares Fund)	100.00 (P.Y. 175.56)	NIL	100.00 (P.Y. 175.56)
(iii)	On purposes other than (i) above (Delhi St Xavier's 85 Charitable Trust)	15.93 (P.Y. 23.08)	NIL	15.92 (P.Y. 23.08)
(iv)	On purposes other than (i) above (Bhagwaan Mahaveer Cancer Hospital & research Center)	- (P.Y. 18.50)	NIL	- (P.Y. 18.50)
(v)	On purposes other than (i) above (I Am Gurgaon)	22.88 (P.Y. 20.85)	NIL	22.88 (P.Y. 20.85)
(vi)	On purposes other than (i) above (Army Welfare Fund)	69.10 (P.Y. Nil)	NIL	69.10 (P.Y. Nil)

### NOTE 48: Customer Complaints

a. No. of complaints pending at the beginning of the year	NIL
b. No. of complaints received during the year	NIL
c. No. of complaints redressed during the year	NIL
d. No. of complaints pending at the end of the year	NIL

### NOTE 49: Exposure to capital market

Particulars	Current Year (Book Value)	Previous Year (Book Value)
Direct investment in equity shares, convertible bonds, convertible debentures and units of equity- oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	48.78	Nil
Advances against shares/ debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible debentures, and units of equity- oriented mutual funds;	Nil	Nil
Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	Nil	Nil
Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or unites of equity oriented mutual funds i.e. where the primary security other than shares/ convertible bond/ convertible debentures/ units of equity oriented mutual funds 'does not fully cover the advances'	Nil	Nil
Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stock brokers and market makers;	Nil	Nil
Loan sanctioned to corporate against the security of shares/ bonds/ debenture or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	Nil	Nil
Bridge loans to companies against expected equity flows/ issues;	Nil	Nil
All exposure to venture capital funds(both registered and unregistered)		
<b>Total exposure to capital market</b>	<b>48.78</b>	<b>Nil</b>

## Notes to Financial Statements for the year ended 31<sup>st</sup> March, 2021

(₹ in Lacs, unless otherwise stated)

### NOTE 50: Details of Repo and Reverse Repo Transactions

Particulars	Min Outstanding during the year	Max Outstanding during the year	Daily Average outstanding during the year	March 31, 2021
Repo	5,43,957.27 (P.Y. 1,67,214.67)	13,67,491.68 (P.Y. 8,90,075.57)	8,96,193.86 (P.Y. 6,02,597.72)	6,88,231.83 (P.Y. 7,19,433.34)
Reverse Repo	501.06 (P.Y. 493.48)	1,47,249.26 (P.Y. 96,631.34)	25,622.25 (P.Y. 12,833.26)	-

Particulars	Min Outstanding during the year	Max Outstanding during the year	Daily Average outstanding during the year	March 31, 2021
Repo	1,67,214.67 (P.Y. 1,67,214.67)	8,90,075.57 (P.Y. 8,90,075.57)	6,02,597.72 (P.Y. 6,02,597.72)	7,19,433.34 (P.Y. 7,19,433.34)
Reverse Repo	493.48 (P.Y. 493.48)	96,631.34 (P.Y. 96,631.34)	12,833.26 (P.Y. 12,833.26)	-

### NOTE 51:

Asset Classification as per RBI Norms	Asset Classification as per Ind AS 109	Gross Carrying Amount as per Ind AS	Loss Allowances (Provisions) as required under Ind AS 109	Net Carrying Amount	Provisions required as per IRACP norms	Difference between Ind AS 109 provisions and IRACP norms
(1)	(2)	(3)	(4)	(5)=(3)-(4)	(6)	(7)=(4)-(6)
<b>Performing Assets</b>						
Standard	Stage 1	NA	NA	NA	NA	NA
	Stage 2	NA	NA	NA	NA	NA
Sub total		NA	NA	NA	NA	NA
<b>Non-Performing Assets (NPA)</b>						
Substandard	Stage 3	NA	NA	NA	NA	NA
		NA	NA	NA	NA	NA
Doubtful- upto 1 year	Stage 3	NA	NA	NA	NA	NA
1 to 3 years	Stage 3	NA	NA	NA	NA	NA
More than 3 years	Stage 3	NA	NA	NA	NA	NA
Subtotal for doubtful		NA	NA	NA	NA	NA
Loss	Stage 3	NA	NA	NA	NA	NA
Subtotal for NPA		NA	NA	NA	NA	NA

## Notes to Financial Statements for the year ended 31<sup>st</sup> March, 2021

(₹ in Lacs, unless otherwise stated)

Other items such as guarantees, loan commitments etc which are in the scope of Ind AS 109 but not covered under current Income recognition, Asset classification And Provisioning (IRACP) norms	Stage 1	NA	NA	NA	NA	NA
	Stage 2	NA	NA	NA	NA	NA
	Stage 3	NA	NA	NA	NA	NA
Subtotal		NA	NA	NA	NA	NA
<b>Total</b>	<b>Stage 1</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
	<b>Stage 2</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
	<b>Stage 3</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
	<b>Total</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>

### NOTE 52: Registration/ License/authorization obtained from financial sector regulators

- MCA- Certificate of Incorporation Number is L74899DL1996PLC077120
- Primary Dealership Business Authorisation granted by RBI has been renewed by RBI for the period of three years 2019-22 valid upto June 30, 2022.
- SEBI – Registration number is INZ000007831.

### NOTE 53: Information on all provisions and contingencies booked as expenditure in the Statement of Profit and Loss:

Particulars	2020-21	2019-20
Provision for (Depreciation)/ Appreciation on investments (stock-in-trade and derivatives)	(1,908.39)	3,994.80
Provision towards NPA	Nil	Nil
Provision towards Income Tax and Deferred Tax	16,023.02	6,345.11
Others (Expense Related)	506.21	308.30
Provision for Standard Assets	Nil	Nil

### NOTE 54 : Investments (Stock-In-Trade)

Particulars	Current Year	Previous Year
Gross Value of Investments		
In India	10,88,197.12	12,87,542.29
Outside India	-	-
Provision for (Depreciation)/ Appreciation		
In India	2,489.69	8,909.11
Outside India	-	-
Net Value of Investments		
In India	10,90,686.81	12,96,451.40
Outside India	-	-

## Notes to Financial Statements for the year ended 31<sup>st</sup> March, 2021

(₹ in Lacs, unless otherwise stated)

### NOTE 55: Disclosure of penalties

Penalties levied by Regulators (i.e. RBI): Rs. 4.91 Lacs (P.Y.: Nil)

### NOTE 56: Disclosures in compliance with Regulation 52(4) of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 for the year ended March 31, 2021

#### a. Credit Rating and change in Credit Rating (if any)

Rating Agencies	Rating Programme	Rating Assigned	Migration	Rating Amount	
				31.03.2021	31.03.2020
CRISIL	Short Term Commercial Paper	A1+	-	1,00,000.00	50,000.00
ICRA	Short Term Commercial Paper	A1+	-	1,00,000.00	50,000.00
India Ratings & Research	Bank loan Rating	IND A1+	-	2,00,000.00	-

- b. Asset cover available, in case of non convertible debt securities- Not required as per Proviso of Regulation 52 (4) of the SEBI (LODR) Regulations, 2015.
- c. The debt equity ratio of the company as on March 31, 2021 is 7.49:1 (P.Y. 11.67:1).
- d. Previous due date for the payment of interest/ dividend for non-convertible redeemable preference shares/ repayment of principal of non-convertible preference shares /non convertible debt securities and whether the same has been paid or not- As per Annexure A
- e. Next due date for the payment of interest/ dividend of non-convertible preference shares /principal along with the amount of interest/ dividend of non-convertible preference shares payable and the redemption amount- As per Annexure A.
- f. Debt Service Coverage Ratio- Not required as per Proviso of Regulation 52 (4) of the SEBI (LODR) Regulations, 2015.
- g. Interest Service Coverage Ratio- Not required as per Proviso of Regulation 52 (4) of the SEBI (LODR) Regulations, 2015.
- h. Outstanding redeemable preference shares (quantity and value)- The Company has NIL outstanding Commercial Papers Borrowing (Quantity Nil units and Value is Rs. Nil) (P.Y.- Quantity 10,000 units and Value is Rs. 49,319.75 lacs)
- i. Capital redemption reserve/debenture redemption Reserve-Not applicable as the Company does not have any such reserves.
- j. The Net Worth (as per Sec 2(57) of Companies Act,2013) of the Company as at March 31, 2021 stands at Rs. 1,31,608.15 lacs (P.Y. 1,04,190.15 lacs)
- k. The Net Profit after Tax as on March 31, 2021 is Rs. 45,411.68 lacs (P.Y. Rs 18,635.46 lacs). The total comprehensive income amounts to Rs. 45,385.19 lacs (P.Y.- Rs. 18,520.27 lacs).
- l. As on March 31, 2021, the Earnings per share is Rs. 25.23/- (P.Y.- Rs. 10.35/-)

(₹ in Lacs, unless otherwise stated)

## Annexure A

Listed/ Unlisted	Previous Interest Amount	Previous Principal amount	Previous Due date for payment of Interest	Whether the previous interest has been paid/not	Next due date for payment of Interest	Next Interest Amount	Previous due date for repayment of principal	Whether the previous principal repayment has been paid or not	Next due date for repayment of principal	Next principal redemption amount
Listed	282.00	19718.00	14.05.2020	Paid	-	-	14.05.2020	Paid	-	-
Listed	398.25	29601.75	05.06.2020	Paid	-	-	05.06.2020	Paid	-	-
Listed	409.64	39590.36	22.09.2020	Paid	-	-	22.09.2020	Paid	-	-
Listed	63.84	9936.16	25.09.2020	Paid	-	-	25.09.2020	Paid	-	-
Listed	62.93	9937.07	28.09.2020	Paid	-	-	28.09.2020	Paid	-	-
Listed	161.95	24838.05	24.12.2020	Paid	-	-	24.12.2020	Paid	-	-
Listed	94.62	29905.38	30.03.2021	Paid	-	-	30.03.2021	Paid	-	-
Listed	210.13	24789.88	09.02.2021	Paid	-	-	09.02.2021	Paid	-	-
Listed	419.05	49580.95	12.02.2021	Paid	-	-	12.02.2021	Paid	-	-

### NOTE 57: COVID-19 IMPACT

The Company neither has any adverse financial impact due to COVID-19 nor it anticipates any impact on its liquidity position or its ability to continue as a going concern.

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

### For and on behalf of the Board

  
(Swarup Kumar Saha)  
Director  
DIN: 08963678


  
(Prem Prakash Pareek)  
Director  
DIN: 00615296

  
(Vikas Goel)  
Managing Director & CEO  
DIN: 08322541

  
(Chandra Prakash)  
CFO  
Membership No. A415359

  
(Monika Kochar)  
Company Secretary  
Membership No. F6514

In terms of our report of even date  
For **Rasool Singhal & Co**  
Chartered Accountants  
(FRN: 500015N)

  
(CA. Akshay Goel)  
Partner  
Membership No. 453555

Date: June 22, 2021  
Place : New Delhi  
Regd off : 5, Sansad Marg,  
New Delhi – 110001



## 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]

(₹ in Lacs, unless otherwise stated)

### Particulars

#### Liabilities Side :

**(1) Loans and advances availed by the non-banking financial company inclusive of interest accrued thereon but not paid:**

- (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)

#### Secured Loans

- 1. Borrowings from RBI
- 2. CBLO Borrowings
- 3. Repo Borrowing
- 4. Line of Credit from PNB

#### Unsecured Loans

- 1. Call Money Borrowings
- 2. Commercial Paper Borrowings

\* 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
- (b) Unsecured

**(3) Break up of leased Assets and stock on hire and other assets counting towards AFC activities**

(I) Lease assets including lease rentals under sundry debtors :

- (a) Financial lease

	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)	<b>9,86,323.93</b>	-
 Secured Loans		
1. Borrowings from RBI	-	-
2. CBLO Borrowings	70,747.37	-
3. Repo Borrowing	6,88,231.83	-
4. Line of Credit from PNB	53,009.73	-
 Unsecured Loans		
1. Call Money Borrowings	1,74,335.00	-
2. Commercial Paper Borrowings	-	-
* Please see Note 1 below		
 <b>Assets Side :</b>		
 <b>(2) Break-up of Loans and Advances including bills receivables (other than those included in (4) below):</b>		
(a) Secured	6,569.21	-
(b) Unsecured	1.84	-
 <b>(3) Break up of leased Assets and stock on hire and other assets counting towards AFC activities</b>	NA	NA
 (I) Lease assets including lease rentals under sundry debtors :		
(a) Financial lease		

(₹ in Lacs, unless otherwise stated)

(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 :**

**Current investments (Stock-in-trade):**

**1. Quoted :**

(I) Shares : (a) Equity

(b) Preference

(ii) Debentures and Bonds

(iii) Units of mutual funds

(iv) Government Securities

(v) Others (Please specify) Equity

**Amount  
outstanding**

-

1,59,630.05

9,28,518.30

48.78

(Market Value  
Rs. 1,57,824.34  
lacs)

(Market Value  
Rs. 9,32,797.23  
lacs)

(Market Value  
Rs. 65.24 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

(iii) Units of mutual funds

(iv) Government Securities

(v) Others (Please specify)

(₹ in Lacs, unless otherwise stated)

**2. Unquoted :**

- (I) Shares : (a) Equity
- (b) Preference
- (ii) Debentures and Bonds
- (iii) Units of Mutual Funds
- (iv) Government Securities
- (v) Others (please specify)
- (Term Deposit)

**TOTAL :**

**10,88,197.13**

**(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
1. Related Parties **	-	-
(a) Subsidiaries	-	-
(b) Companies in the same group	-	-
(c) Other related parties	-	-
2. Other than related parties	-	-
TOTAL:	-	-
<b>Note:</b> Loans & Advances given in Col. 2 above are Staff Advances & Security Deposits, hence do not fall in this category and not disclosed.		
<b>(6) Investor group-wise classification of all investments (current and long term) in shares and Securities (both quoted and unquoted) :</b> (Please see note 3 below)		
Category	Market Value/ Break up or fair value or NAV	Book Value
1. Related Parties **		
(a) Subsidiaries	-	-
(b) Companies in the same group	-	-
(c) Other related parties	-	-
2. Other than related parties	10,90,686.81	10,88,197.13
<b>TOTAL :</b>	<b>10,90,686.81</b>	<b>10,88,197.13</b>

(₹ in Lacs, unless otherwise stated)

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

## (7) Other Information

### Particulars

(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

### Amount

-

-

-

## 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.

## For and on behalf of the Board

  
(Swarup Kumar Saha)  
Director  
DIN: 08963678


  
(Chandra Prakash)  
CFO  
Membership No. A415359

  
(Prem Prakash Pareek)  
Director  
DIN: 00615296

  
(Monika Kochar)  
Company Secretary  
Membership No. F6514

  
(Vikas Goel)  
Managing Director & CEO  
DIN: 08322541

In terms of our report of even date  
For **Rasool Singhal & Co**  
Chartered Accountants  
(FRN: 500015N)

  
(CA. Akshay Goel)  
Partner  
Membership No. 453555

Date: June 22, 2021  
Place : New Delhi  
Regd off : 5, Sansad Marg,  
New Delhi – 110001

## FINANCIALS AT A GLANCE

### FINANCIAL PARAMETERS

	2020-21 (%)	2019-20 (%)
<b>Financial Performance</b>		
Interest Income/ Total Income	74.01	86.84
Trading Income/ Total Income	24.00	12.63
Other Income/ Total Income	0.03	0.04
Interest Expense/ Total Income	37.52	58.83
Interest Expense/ Total Expense	91.99	94.14
Establishment Expense/ Total Expense	2.91	2.08
Administration and Other Expense/ Total Expense	5.10	3.77
PBT/ Total Income	58.38	28.30
PAT/ Total Income	43.16	21.11
<b>Human Assets</b>		
Security Turnover per employee (₹ in Crore)	14,790.15	21,417.65
Profit before tax per employee (₹ in Crore)	13.36	6.25
Average Age of the employees (Years)	40.00	40.00
<b>Per Share Data</b>		
Earnings Per Share (₹)	25.23	10.35
Cash Earnings Per Share (₹)	26.39	8.22
Book Value Per Share (₹)	72.53	55.67
Price Earnings, end of year (₹)	1.91	2.31
Price/ Cash Earnings, end of year (₹)	1.82	2.91
Price/ Book Value, end of year (₹)	0.66	0.43
Dividend Per Share (₹)	10.00	3.00

### Financials: Last 10 Years

(₹ in Crore, unless otherwise stated)

Financial Year	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
<b>TOTAL INCOME</b>	<b>165.30</b>	<b>288.65</b>	<b>346.26</b>	<b>410.01</b>	<b>343.42</b>	<b>500.54</b>	<b>351.48</b>	<b>508.01</b>	<b>882.60</b>	<b>1,052.27</b>
i) Interest & Discount on Securities	175.28	244.37	304.12	332.91	359.06	313.74	400.81	493.58	766.46	778.83
ii) Profit/(Loss) on Sale of Securities	(14.51)	40.06	31.41	75.85	(16.90)	185.50	(50.96)	9.00	111.50	252.56
iii) Revenue & Other Income	4.53	4.22	10.73	1.25	1.26	1.30	1.63	5.43	4.64	20.88
<b>EXPENDITURE</b>	<b>135.66</b>	<b>199.88</b>	<b>255.56</b>	<b>277.47</b>	<b>291.95</b>	<b>244.00</b>	<b>350.16</b>	<b>424.99</b>	<b>551.58</b>	<b>429.20</b>
i) Interest Expenses	125.67	188.65	242.67	260.51	275.62	225.72	330.72	403.44	519.26	394.81
ii) Operating & Other Expenses	9.08	10.53	12.34	16.03	15.86	17.94	18.95	21.13	30.87	32.50
iii) Depreciation on Fixed Assets & ROUA	0.91	0.70	0.55	0.93	0.47	0.34	0.49	0.42	1.45	1.89
iv) Bad debts written off	-	-	-	-	-	-	-	-	-	-
v) Provision against overdue Call Lending	-	-	-	-	-	-	-	-	-	-
vi) Exceptional Items	-	-	-	-	-	-	-	-	81.22	8.73
<b>PROFIT BEFORE TAX</b>	<b>29.64</b>	<b>88.77</b>	<b>90.70</b>	<b>132.55</b>	<b>51.47</b>	<b>256.54</b>	<b>1.32</b>	<b>83.02</b>	<b>249.80</b>	<b>614.34</b>
Less: Provision / (Release) for Taxation	8.59	27.52	29.32	44.28	16.98	89.37	(0.09)	30.16	63.45	160.23
<b>PROFIT AFTER TAX</b>	<b>21.05</b>	<b>61.25</b>	<b>61.38</b>	<b>88.27</b>	<b>34.5</b>	<b>167.17</b>	<b>1.41</b>	<b>52.86</b>	<b>186.35</b>	<b>454.11</b>
Paid Up Capital	135.01	135.01	180.01	180.01	180.01	180.01	180.01	180.01	180.01	180.01
Reserves	442.64	488.08	485.51	541.00	551.67	718.84	677.06	707.66	862.52	1,136.36
<b>NET WORTH</b>	<b>574.69</b>	<b>620.08</b>	<b>662.53</b>	<b>718.06</b>	<b>731.22</b>	<b>898.36</b>	<b>843.23</b>	<b>885.66</b>	<b>1,002.20</b>	<b>1,305.69</b>
Turnover (Primary + Secondary)	2,49,382	2,41,137	3,44,239	5,11,329	4,13,787	6,86,167	4,73,384	4,71,198	8,56,706	6,80,347
Dividend(%)	10.00	10.00	9.00	15.00	11.00	25.00	10.00	14.00	30.00	100.00

# NOTICE



**Regd. Office :** 5, Sansad Marg, New Delhi - 110 001  
**Tel :** 011-23325759, 23325779, **Fax :** 011-23325751, 23325763  
**Website -** www.pnbgilts.com, **E-mail ID -** pnbgilts@pnbgilts.com  
**CIN :** L74899DL1996PLC077120

Notice is hereby given that the 25<sup>th</sup> Annual General Meeting (AGM) of members of PNB Gilts Limited ("the Company") will be held on Monday, September 20, 2021, at 11:00 a.m. IST through Video Conferencing ("VC"), to transact the following businesses:

## ORDINARY BUSINESS

1. To receive, consider and adopt the audited financial statements of the Company for the year ended March 31, 2021 and the Reports of the Auditors and the Board of Directors thereon.
2. To declare a final dividend of ₹ 3 per equity share of ₹ 10/- each for the year ended March 31, 2021.
3. To appoint a Director in place of Sh. Vikas Goel (holding DIN: 08322541), who is liable to retire by rotation and being eligible, offers himself for reappointment.
4. To authorize Board of Directors to fix remuneration of the Statutory Auditor(s) of the Company, appointed by the Comptroller and Auditor General of India for the financial year 2021-22 and in this regard, if thought fit, to pass the following resolution as an ordinary resolution :

"RESOLVED THAT the Board of Directors of the Company be and is hereby authorized to fix the remuneration of Statutory Auditor(s), as appointed by the Comptroller and Auditor General of India for the financial year 2021-22."

## SPECIAL BUSINESS

5. To appoint Sh. Swarup Kumar Saha (DIN: 08963678), as a Director and in this regard to consider and if thought fit, to pass the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 149, 152 and any other applicable provisions of the Companies Act, 2013 ('the Act') and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), and any other applicable law, if any and subject to other permissions, approvals as may be required, Sh. Swarup Kumar Saha (DIN: 08963678), Executive Director of Punjab National Bank, who has been appointed as an Additional Director of the Company by the Board of Directors with effect from June 18, 2021 in terms of Section 161(1) of the Companies Act, 2013 and Articles of Association of the Company, and whose term of office expires at the Annual General Meeting and in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013 from a member proposing his candidature for the office of the Director, be and is hereby appointed as a Director of the Company, whose office shall not be liable to retire by rotation."

6. To appoint Sh. Ashutosh Choudhury (DIN: 09245804), as a Director and in this regard to consider and if thought fit, to pass the following resolution as an Ordinary Resolution :

“RESOLVED THAT pursuant to the provisions of Section 149, 152 and any other applicable provisions of the Companies Act, 2013 (‘the Act’) and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), and any other applicable law, if any and subject to other permissions, approvals as may be required, Sh. Ashutosh Choudhury (DIN: 09245804), Chief General Manager and Group Chief Risk Officer of Punjab National Bank, who has been appointed as an Additional Director of the Company by the Board of Directors with effect from July 19, 2021 in terms of Section 161(1) of the Companies Act, 2013 and Articles of Association of the Company, and whose term of office expires at the Annual General Meeting and in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013 from a member proposing his candidature for the office of the Director, be and is hereby appointed as a Director of the Company, whose office shall be liable to retire by rotation.”

By Order of the Board of Directors



**(Monika Kochar)**

Company Secretary

FCS 6514

August 25, 2021  
New Delhi

Regd. Off.: 5, Sansad Marg, New Delhi -110001

CIN: L74899DL1996PLC077120

E-mail: m.kochar@pnbgilts.com

Website: www.pnbgilts.com

## NOTES :

1. In view of the continuing Covid-19 pandemic, the Ministry of Corporate Affairs (“MCA”) has vide its circular no. circular nos. 14/2020 and 17/2020 dated April 8, 2020 and April 13, 2020, circular no. 20/2020 dated May 5, 2020 read with circular no. 02/2021 dated January 13, 2021 (collectively referred to as “MCA Circulars”) and Securities and Exchange Board of India (“SEBI”) vide its circular no. SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated May 12, 2020 read with circular no. SEBI/HO/CFD/CMD2/CIR/P/2021/11 dated January 15, 2021 permitted the holding of the Annual General Meeting (“AGM”) through VC / OAVM, without the physical presence of the Members at a common venue. In compliance with the provisions of the Companies Act, 2013 (“Act”), SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”), MCA Circulars and SEBI circulars, the AGM of the Company is being held through VC / OAVM.
2. In compliance with MCA and SEBI circulars, the notice of the 25th AGM along with the Annual Report 2020-21 are being sent only by electronic mode to those Members whose e-mail addresses are registered with the Company/Depositories. Members may note that the above said Notice and Annual Report 2020-21 will also be available on the Company’s website [www.pnbgilts.com](http://www.pnbgilts.com), websites of the Stock Exchanges i.e. BSE Limited and National Stock Exchange of India Limited at [www.bseindia.com](http://www.bseindia.com) and [www.nseindia.com](http://www.nseindia.com) respectively, and on the website of National Securities Depository Limited (“NSDL”) <https://www.evoting.nsdl.com>
3. Pursuant to the provisions of the Act, a Member entitled to attend and vote at the AGM is entitled to appoint a proxy to attend and vote on his/her behalf and the proxy need not be a Member of the Company. Since, this AGM is being held pursuant to the MCA Circulars through VC, physical attendance of Members has been dispensed with. Accordingly, the facility for appointment of proxies by the Members will not be available for the AGM and hence the Proxy Form and Attendance Slip are not annexed to this Notice. However, the Body Corporates are entitled to appoint authorised representatives to attend the AGM through VC and participate thereat and cast their votes through e-voting.



4. Since, the AGM will be held through VC, the Route Map is not annexed in this Notice.
5. The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013, which sets out details relating to Special Business to be transacted at the meeting, is annexed hereto.
6. All documents referred to in the Explanatory Statement along with Register of Directors and Key Managerial Personnel and their shareholding, maintained under Section 170 of the Act and Register of Contracts or Arrangements in which the Directors are interested, maintained under Section 189 of the Act, shall be available for inspection through a secured platform upon login at NSDL e-voting system at <https://www.evoting.nsdl.com/>.
7. The Company has fixed Saturday, September 4, 2021 as the 'Record Date' for determining the entitlement of members to receive the Final Dividend for the Financial Year 2020-21, if declared at the 25th AGM of the Company.
8. The dividend, as recommended by the Board, if declared at the AGM, will be paid subject to deduction of tax at source within 30 days of such declaration 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 hours of September 4, 2021 as per the lists and details (including bank details) to be furnished by National Securities Depository Limited and Central Depository Services (India) Limited in respect of the shares held in electronic form; and
  - b) As Members in the Register of Members of the Company as at the end of the business hours of September 4, 2021.
9. The dividend, if approved in the AGM, will be paid electronically to those shareholders who have updated their bank account details. For shareholders who have not updated their bank account details, dividend warrants/ demand drafts will be sent out to their registered addresses. To avoid delay in receiving the dividend, shareholders are requested to check and update their bank details (including Bank MICR Code) with their depositories (where shares are held in dematerialized mode) in accordance with the instructions given by their depositories or with the Company's Share Transfer Agent (where shares are held in physical mode) to receive the dividend directly into their bank account by writing at [helpdeskreply@mcsregistrars.com](mailto:helpdeskreply@mcsregistrars.com).
10. Process for registration of email id for obtaining Annual Report and user id/password for e-voting and updation of bank account mandate & PAN for receipt of dividend is as under:

Members who do not have registered their E-mail ID, bank details, and /or PAN are required to register their E-mail ID, bank details, and /or PAN in respect of electronic holdings with their concerned Depository Participants and in respect of physical holdings, with the Company's Share Transfer Agent i.e. MCS Share Transfer Agent Ltd., F-65, 1st Floor, Okhla Industrial Area, Phase - I, New Delhi, India. PIN-110 020 Tel.: 011- 41406149-52 Fax No.: 011- 41709881 E-mail: [helpdeskreply@mcsregistrars.com](mailto:helpdeskreply@mcsregistrars.com) by following due procedure, which is as under:

Physical Holding	<p>Send a duly signed request to the Share Transfer Agent of the Company i.e. MCS Share Transfer Agent Limited at <a href="mailto:helpdeskreply@mcsregistrars.com">helpdeskreply@mcsregistrars.com</a> providing Folio No., Name of shareholder, scanned copy of the share certificate (front and back), PAN (self attested scanned copy of PAN card), AADHAR (self attested scanned copy of Aadhar Card) for registering email address.</p> <p>Following additional details need to be provided in case of updating Bank Account Details:</p> <ol style="list-style-type: none"> <li>a) Name and Branch of the Bank in which you wish to receive the dividend;</li> <li>b) the Bank Account type;</li> <li>c) Bank Account Number allotted by their banks after implementation of Core Banking Solutions;</li> <li>d) 9 digit MICR Code Number;</li> <li>e) 11 digit IFSC Code; and</li> <li>f) a scanned copy of the cancelled cheque bearing the name of the first shareholder.</li> </ol>
Demat Holding	Please contact your Depository Participant (DP) and register your email address, PAN and bank account details in your demat account, as per the process advised by your DP.

11. The members are also advised to intimate all changes with respect to nomination, power of attorney, etc. with their depositories (where shares are held in dematerialized mode) or with the Company's Share Transfer Agent (where shares are held in physical mode). These changes will be automatically reflected in the Company's records, which will help the Company to provide efficient and better service to members.
12. Members who have not yet registered their e-mail addresses are requested to register the same with their Depository Participants ("DP") in case the shares are held by them in electronic form and with MCS Share Transfer Agent Ltd. in case the shares are held by them in physical form.

To prevent fraudulent transactions, members are advised to exercise due diligence and notify the Company, of any change in address or demise of any member as soon as possible and in case shares are in physical form. Members are also advised to not leave their demat account(s) dormant for long. Periodic statement of holdings should be obtained from the concerned Depository Participant and holdings should be verified from time to time.

13. Members holding shares in physical form can 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 Share Transfer Agent Ltd. (Unit - PNB Gilts Ltd.)

F-65, 1st Floor, Okhla Industrial Area, Phase - I, New Delhi-110 020

Tel : 011-41406149-52, Fax: 011-41709881; Email ID– helpdeskreply@mcsregistrars.com

14. Pursuant to the provisions of Section 124 of the Act, Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 ("IEPF Rules") read with the relevant circulars and amendments thereto, the amount of dividend remaining unpaid or unclaimed for a period of seven years from the due date is required to be transferred to the Investor Education and Protection Fund ("IEPF"), constituted by the Central Government. The Company had, accordingly, transferred ₹ 517,896/- and ₹ 31847/-, being the unpaid/ unclaimed dividend amount pertaining to Final Dividend 2012-13 and unclaimed sale proceeds of fractional shares arising out of issuance of bonus shares during 2020-21. The Company has been sending reminders to members having unpaid/ unclaimed dividends before transfer of such dividend(s) to IEPF. Details of the unpaid/ unclaimed dividend are also uploaded on the Company's website <https://www.pnbgilts.com>. Members who have not encashed Final Dividend 2013-14 or any subsequent dividend declared by the Company, are advised to write to the Company immediately.
15. Pursuant to the provisions of IEPF Rules, all shares in respect of which dividend has not been paid or claimed for seven consecutive years shall be transferred by the Company to the designated Demat Account of the IEPF Authority ("IEPF Account") within a period of thirty days of such shares becoming due to be transferred to the IEPF Account. Accordingly, 147 Equity Shares of ₹ 10/- each on which the dividend remained unpaid or unclaimed for seven consecutive years with reference to the due date of July 24, 2020, were transferred during the year 2020-21 to the IEPF Account, after following the prescribed procedure.

All the shareholders who have not claimed / encashed their dividends in the last seven consecutive years from 2013-14 are advised to claim the same. In case valid claim is not received, the Company will proceed to transfer the respective shares to the IEPF Account in accordance with the procedure prescribed under the IEPF Rules.

16. Details as required under Regulation 36 (3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('the Listing Regulations') and Secretarial Standard on General Meeting (SS-2) of the Institute of Company Secretaries of India ("ICSI"), in respect of the Directors seeking appointment/re-appointment at the Annual General Meeting, forms integral part of the notice. The Directors have furnished the requisite declarations for their appointment/re-appointment.
17. Members attending the AGM through VC shall be counted for the purpose of reckoning the quorum under Section 103 of the Act.
18. Shareholders may note that the Income Tax Act, 1961 (Act), as amended by the Finance Act, 2020, mandates that dividends paid or distributed by a Company on or after April 1, 2020 shall be taxable in the hands of

shareholders. The Company shall therefore be required to deduct tax at source (TDS) at the time of making the payment of final dividend at the prescribed tax rates. For the prescribed tax rates for various categories, the shareholders are requested to refer to the Finance Act, 2020 and amendments thereof. The shareholders are requested to update their PAN with the Company/MCS Share Transfer Agent Ltd. (in case of shares held in physical mode) and depositories (in case of shares held in demat mode).

A Resident individual shareholder with PAN and who is not liable to pay income tax can submit a yearly declaration in Form No. 15G/15H, to avail the benefit of non-deduction of tax at source by email to [m.kochar@pnbgilts.com](mailto:m.kochar@pnbgilts.com) by September 11, 2021. Shareholders are requested to note that in case their PAN is not registered, the tax will be deducted at a higher rate of 20%. Non-resident shareholders can avail beneficial rates under tax treaty between India and their country of residence, subject to providing necessary documents i.e. No Permanent Establishment and Beneficial Ownership Declaration, Tax Residency Certificate, Form 10F, any other document which may be required to avail the tax treaty benefits by sending an email to [m.kochar@pnbgilts.com](mailto:m.kochar@pnbgilts.com). The aforesaid declarations and documents need to be submitted by the shareholders by September 11, 2021. For further details and formats of declaration, please refer to the Shareholder Information section of Investor Relations page of Company's website [www.pnbgilts.com](http://www.pnbgilts.com).

19. As per Regulation 40 of SEBI Listing Regulations, as amended, securities of listed companies can be transferred only in dematerialized form with effect from, April 1, 2019, except in case of request received for transmission or transposition and relodged transfers of securities. Further, SEBI vide its circular no. SEBI/HO/MIRSD/RTAMB/CIR/P/2020/236 dated December 2, 2020 had fixed March 31, 2021 as the cut-off date for re-lodgement of transfer deeds and the shares that are re-lodged for transfer shall be issued only in demat mode. In view of this and to eliminate all risks associated with physical shares and for ease of portfolio management, members holding shares in physical form are requested to consider converting their holdings to dematerialized form.

## 20. 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 'Report on Corporate Governance' section for detailed explanation/procedure.

21. Instructions for e-voting and joining the AGM are as follows -

### a. VOTING THROUGH ELECTRONIC MEANS

- I. In compliance with provisions of Section 108 of the Act, Rule 20 of the Companies (Management and Administration) Rules, 2014, Regulation 44 of the Listing Regulations and Secretarial Standard on General Meetings (SS-2) issued by the ICSI, the Company is pleased to provide its members facility to exercise their right to vote on resolutions proposed to be considered at the 25th Annual General Meeting (AGM) by electronic means and the business may be transacted through e-Voting Services. The facility of casting the votes by the members using an electronic voting system from a place other than venue of the AGM ("remote e-voting") will be provided by National Securities Depository Limited (NSDL).
- II. The remote e-voting period commences on September 16, 2021 (9:00 a.m.) and ends on September 19, 2021 (5:00 p.m.). During this period, members of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date of September 13, 2021, may cast their vote by remote e-voting. The e-voting module shall be disabled by NSDL for voting thereafter. Those Members, who will be present in the AGM through VC facility and have not cast their vote on the Resolutions through remote e-voting and are otherwise not barred from doing so, shall be eligible to vote through e-voting system during the AGM.
- III. A person, who is not a member as on the cut-off date, should treat this Notice for information purpose only
- IV. Mr. Ankit Singhi, Practising Company Secretary bearing CP No. 16274, and failing him, Mr. Nitesh Latwal, Practising Company Secretary bearing CP No. 16276, Partners of PI & Associates will act as the Scrutinizer to scrutinize the voting during the AGM and remote e-voting process in a fair and transparent manner.
- V. The Members who have cast their vote by remote e-voting prior to the AGM may also attend/ participate in

the AGM through VC but shall not be entitled to cast their vote again.

VI. The voting/remote e-voting rights of shareholders shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut-off date.

VII. Any person, who acquires shares of the Company and becomes member of the Company after dispatch of the notice and holding shares as of the cut-off date shall follow the same procedure for e-Voting as mentioned below.

VI. The process and manner for remote e-voting as well as e-voting during the AGM are as under:

#### **How do I vote electronically using NSDL e-Voting system?**

*The way to vote electronically on NSDL e-Voting system consists of “Two Steps” which are mentioned below :*

#### **Step 1: Access to NSDL e-Voting system**

##### **A) Login method for e-Voting and joining virtual meeting for Individual shareholders holding securities in demat mode**

In terms of SEBI circular dated December 9, 2020 on e-Voting facility provided by Listed Companies, Individual shareholders holding securities in demat mode are allowed to vote through their demat account maintained with Depositories and Depository Participants. Shareholders are advised to update their mobile number and email Id in their demat accounts in order to access e-Voting facility.

**Login method for Individual shareholders holding securities in demat mode is given below:**

Type of shareholders	Login Method
Individual Shareholders holding securities in demat mode with NSDL.	<ol style="list-style-type: none"> <li>1. If you are already registered for <b>NSDL IDeAS facility</b>, please visit the e-Services website of NSDL. Open web browser by typing the following URL: <a href="https://eservices.nsdl.com/">https://eservices.nsdl.com/</a> either on a Personal Computer or on a mobile. Once the home page of e-Services is launched, click on the “<b>Beneficial Owner</b>” icon under “Login” which is available under “<b>IDeAS</b>” section. A new screen will open. You will have to enter your User ID and Password. After successful authentication, you will be able to see e-Voting services. Click on “Access to e-Voting” under e-Voting services and you will be able to see e-Voting page. Click on options available against company name or <b>e-Voting service provider - NSDL</b> and you will be re-directed to NSDL e-Voting website for casting your vote during the remote e-Voting period or joining virtual meeting &amp; voting during the meeting.</li> <li>2. If the user is not registered for IDeAS e-Services, option to register is available at <a href="https://eservices.nsdl.com">https://eservices.nsdl.com</a>. Select “<b>Register Online for IDeAS</b>” Portal or click at <a href="https://eservices.nsdl.com/SecureWeb/IdeasDirectReg.jsp">https://eservices.nsdl.com/SecureWeb/IdeasDirectReg.jsp</a></li> <li>3. Visit the e-Voting website of NSDL. Open web browser by typing the following URL: <a href="https://www.evoting.nsdl.com/">https://www.evoting.nsdl.com/</a> either on a Personal Computer or on a mobile. Once the home page of e-Voting system is launched, click on the icon “Login” which is available under ‘Shareholder/Member’ section. A new screen will open. You will have to enter your User ID (i.e. your sixteen digit demat account number held with NSDL), Password/OTP and a Verification Code as shown on the screen. After successful authentication, you will be redirected to NSDL Depository site wherein you can see e-Voting page. Click on options available against company name or <b>e-Voting service provider - NSDL</b> and you will be redirected to e-Voting website of NSDL for casting your vote during the remote e-Voting period or joining virtual meeting &amp; voting during the meeting.</li> </ol>

Individual Shareholders holding securities in demat mode with CDSL	<ol style="list-style-type: none"> <li>Existing users who have opted for Easi / Easiest, they can login through their user id and password. Option will be made available to reach e-Voting page without any further authentication. The URL for users to login to Easi / Easiest are <a href="https://web.cdslindia.com/myeasi/home/login">https://web.cdslindia.com/myeasi/home/login</a> or <a href="http://www.cdslindia.com">www.cdslindia.com</a> and click on New System Myeasi.</li> <li>After successful login of Easi/Easiest the user will be also able to see the E Voting Menu. The Menu will have links of e-Voting service provider i.e. NSDL. Click on NSDL to cast your vote.</li> <li>If the user is not registered for Easi/Easiest, option to register is available at <a href="https://web.cdslindia.com/myeasi/Registration/EasiRegistration">https://web.cdslindia.com/myeasi/Registration/EasiRegistration</a></li> <li>Alternatively, the user can directly access e-Voting page by providing demat Account Number and PAN No. from a link in <a href="http://www.cdslindia.com">www.cdslindia.com</a> home page. The system will authenticate the user by sending OTP on registered Mobile &amp; Email as recorded in the demat Account. After successful authentication, user will be provided links for the respective ESP i.e. NSDL where the e-Voting is in progress.</li> </ol>
Individual Shareholders (holding securities in demat mode) login through their depository participants	You can also login using the login credentials of your demat account through your Depository Participant registered with NSDL/CDSL for e-Voting facility. Once login, you will be able to see e-Voting option. Once you click on e-Voting option, you will be redirected to NSDL/CDSL Depository site after successful authentication, wherein you can see e-Voting feature. Click on options available against company name or <b>e-Voting service provider-NSDL</b> and you will be redirected to e-Voting website of NSDL for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting.

**Important note:** Members who are unable to retrieve User ID/ Password are advised to use Forget User ID and Forget Password option available at abovementioned website.

**Helpdesk for Individual Shareholders holding securities in demat mode for any technical issues related to login through Depository i.e. NSDL and CDSL.**

Login type	Helpdesk details
Individual Shareholders holding securities in demat mode with NSDL	Members facing any technical issue in login can contact NSDL helpdesk by sending a request at <a href="mailto:evoting@nsdl.co.in">evoting@nsdl.co.in</a> or call at toll free no.: 1800 1020 990 and 1800 22 44 30
Individual Shareholders holding securities in demat mode with CDSL	Members facing any technical issue in login can contact CDSL helpdesk by sending a request at <a href="mailto:helpdesk.evoting@cdslindia.com">helpdesk.evoting@cdslindia.com</a> or contact at 022- 23058738 or 022-23058542-43

**B) Login Method for shareholders other than Individual shareholders holding securities in demat mode and shareholders holding securities in physical mode.**

**How to Log-in to NSDL e-Voting website?**

- Visit the e-Voting website of NSDL. Open web browser by typing the following URL: <https://www.evoting.nsdl.com/> either on a Personal Computer or on a mobile.
- Once the home page of e-Voting system is launched, click on the icon “Login” which is available under ‘Shareholder/Member’ section.
- A new screen will open. You will have to enter your User ID, your Password/OTP and a Verification Code as shown on the screen.



Alternatively, if you are registered for NSDL eservices i.e. IDEAS, you can log-in at <https://eservices.nsdl.com/> with your existing IDEAS login. Once you log-in to NSDL eservices after using your log-in credentials, click on e-Voting and you can proceed to Step 2 i.e. Cast your vote electronically.

4. Your User ID details are given below :

Manner of holding shares i.e. Demat (NSDL or CDSL) or Physical	Your User ID is:
a) For Members who hold shares in demat account with NSDL.	8 Character DP ID followed by 8 Digit Client ID For example if your DP ID is IN300*** and Client ID is 12***** then your user ID is IN300***12*****.
b) For Members who hold shares in demat account with CDSL.	16 Digit Beneficiary ID For example if your Beneficiary ID is 12***** then your user ID is 12*****.
c) For Members holding shares in Physical Form.	EVEN Number followed by Folio Number registered with the company For example if folio number is 001*** and EVEN is 101456 then user ID is 101456001***

5. Password details for shareholders other than Individual shareholders are given below:

- If you are already registered for e-Voting, then you can use your existing password to login and cast your vote.
- If you are using NSDL e-Voting system for the first time, you will need to retrieve the 'initial password' which was communicated to you. Once you retrieve your 'initial password', you need to enter the 'initial password' and the system will force you to change your password.
- How to retrieve your 'initial password'?
  - If your email ID is registered in your demat account or with the company, your 'initial password' is communicated to you on your email ID. Trace the email sent to you from NSDL from your mailbox. Open the email and open the attachment i.e. a .pdf file. Open the .pdf file. The password to open the .pdf file is your 8 digit client ID for NSDL account, last 8 digits of client ID for CDSL account or folio number for shares held in physical form. The .pdf file contains your 'User ID' and your 'initial password'.
  - If your email ID is not registered, please follow steps mentioned under the heading **"process for those shareholders whose email ids are not registered"**

6. If you are unable to retrieve or have not received the "Initial password" or have forgotten your password: Click on **"Forgot User Details/Password?"**

- (If you are holding shares in your demat account with NSDL or CDSL) option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com).
- Physical User Reset Password?"
- (If you are holding shares in physical mode) option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com). If you are still unable to get the password by aforesaid two options, you can send a request at [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in) mentioning your demat account number/folio number, your PAN, your name and your registered address etc.

Members can also use the OTP (One Time Password) based login for casting the votes on the e-Voting system of NSDL.

- After entering your password, tick on Agree to "Terms and Conditions" by selecting on the check box.
- Now, you will have to click on "Login" button.

9. After you click on the “Login” button, Home page of e-Voting will open.

## **Step 2: Cast your vote electronically and join General Meeting on NSDL e-Voting system.**

### ***How to cast your vote electronically and join General Meeting on NSDL e-Voting system?***

1. After successful login at Step 1, you will be able to see all the companies “EVEN” in which you are holding shares and whose voting cycle and General Meeting is in active status.
2. Select “EVEN” of company for which you wish to cast your vote during the remote e-Voting period and casting your vote during the General Meeting. For joining virtual meeting, you need to click on “VC/OAVM” link placed under “Join General Meeting”.
3. Now you are ready for e-Voting as the Voting page opens.
4. Cast your vote by selecting appropriate options i.e. assent or dissent, verify/modify the number of shares for which you wish to cast your vote and click on “Submit” and also “Confirm” when prompted.
5. Upon confirmation, the message “Vote cast successfully” will be displayed.
6. You can also take the printout of the votes cast by you by clicking on the print option on the confirmation page.
7. Once you confirm your vote on the resolution, you will not be allowed to modify your vote.

### **General Guidelines for shareholders**

1. Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution/ Authority letter etc. with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer by e-mail to ankit@indiacp.com with a copy marked to evoting@nsdl.co.in
2. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential. Login to the e-voting website will be disabled upon five unsuccessful attempts to key in the correct password. In such an event, you will need to go through the “Forgot User Details/ Password?” or “Physical User Reset Password?” option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com) to reset the password.
3. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for shareholders and e-voting user manual for Shareholders available at the download section of [www.evoting.nsdl.com](http://www.evoting.nsdl.com) or call on toll free no.: 1800-222-990 or send a request to Ms. Pallavi Mhatre, Manager, NSDL at [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in). In case of any grievances connected with facility of evoting, please contact Ms. Pallavi Mhatre, Manager, National Securities Depository Ltd., Trade World, ‘A’ Wing, 4th Floor, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai – 400013, at the designated email address: [pallavid@nsdl.co.in](mailto:pallavid@nsdl.co.in)/[evoting@nsdl.co.in](mailto:evoting@nsdl.co.in) or at telephone no. +91 22 2499 4545.

### **Process for those shareholders whose email ids are not registered with the depositories for procuring user id and password and registration of e mail ids for e-voting for the resolutions set out in this notice:**

- a. In case shares are held in physical mode please provide Folio No., Name of shareholder, scanned copy of the share certificate (front and back), PAN (self attested scanned copy of PAN card), AADHAR (self attested scanned copy of Aadhar Card) by email to [helpdeskreply@mcsregistrars.com](mailto:helpdeskreply@mcsregistrars.com)
- b. In case shares are held in demat mode, please provide DPID-CLID (16 digit DPID + CLID or 16 digit beneficiary ID), Name, client master or copy of Consolidated Account statement, PAN (self attested scanned



copy of PAN card), AADHAR (self attested scanned copy of Aadhar Card) to helpdeskreply@mcsregistrars.com. If you are an Individual shareholders holding securities in demat mode, you are requested to refer to the login method explained at **step 1 (A) i.e. Login method for e-Voting and joining virtual meeting for Individual shareholders holding securities in demat mode.**

- c. Alternatively shareholder/members may send a request to evoting@nsdl.co.in for procuring user id and password for e-voting by providing above mentioned documents.
- d. In terms of SEBI circular dated 9th December, 2020 on e-Voting facility provided by Listed Companies, Individual shareholders holding securities in demat mode are allowed to vote through their demat account maintained with Depositories and Depository Participants. Shareholders are required to update their mobile number and email ID correctly in their demat account in order to access e-Voting facility.

**INSTRUCTIONS FOR MEMBERS FOR ATTENDING THE AGM THROUGH VC ARE AS UNDER:**

1. Member will be provided with a facility to attend the AGM through VC/OAVM through the NSDL e-Voting system. Members may access by following the steps mentioned above for **Access to NSDL e-Voting system**. After successful login, you can see link of “VC/OAVM link” placed under “**Join General meeting**” menu against company name. You are requested to click on VC/OAVM link placed under Join General Meeting menu. The link for VC/OAVM will be available in Shareholder/Member login where the EVEN of Company will be displayed. Please note that the members who do not have the User ID and Password for e-Voting or have forgotten the User ID and Password may retrieve the same by following the remote e-Voting instructions mentioned in the notice to avoid last minute rush.
2. The Members can join the AGM in VC mode 30 minutes before and after the scheduled time of the commencement of AGM by following the procedure mentioned in the Notice. The facility of participation at the AGM through VC will be made available for 1000 members on first come first served basis. This will not include large Shareholders (Shareholders holding 2% or more shareholding), Promoter, Institutional Investors, Directors, Key Managerial Personnel, the Chairpersons of the Audit Committee, Nomination and Remuneration Committee and Stakeholders Relationship Committee, Auditors etc. who are allowed to attend the AGM without restriction on account of first come first served basis.
3. Members are encouraged to join the Meeting through Laptops for better experience.
4. Further Members will be required to allow Camera and use Internet with a good speed to avoid any disturbance during the meeting.
5. Please note that Participants connecting from Mobile devices or Tablets or through Laptop connecting via Mobile Hotspot may experience Audio/Video loss due to fluctuation in their respective network. It is therefore recommended to use a stable Wi-Fi or LAN connection to mitigate any kind of aforesaid glitches.
6. Shareholders who would like to express their views/have questions may send their questions in advance mentioning their name demat account number/folio number, email id, mobile number at m.kochar@pnbgilts.com. The same will be replied by the company suitably.

**THE INSTRUCTIONS FOR MEMBERS FOR e-VOTING ON THE DAY OF THE AGM ARE AS UNDER**

1. The procedure for e-Voting on the day of the AGM is same as the instructions mentioned above for remote e-voting.
2. Only those Members/ shareholders, who will be present in the AGM through VC facility and have not casted their vote on the Resolutions through remote e-Voting and are otherwise not barred from doing so, shall be eligible to vote through e-Voting system in the AGM.
3. Members who have voted through Remote e-Voting will be eligible to attend the AGM. However, they will not be eligible to vote at the AGM.
4. The details of the person who may be contacted for any grievances connected with the facility for e-Voting on the day of the AGM shall be the same person mentioned for Remote e-voting.

## PROCEDURE TO RAISE QUESTIONS / SEEK CLARIFICATIONS WITH RESPECT TO ANNUAL REPORT

1. As the AGM is being conducted through VC, members are encouraged to express their views / send their queries in advance mentioning their name, DP Id and Client Id/Folio No., e-mail id, mobile number at m.kochar@pnbgilts.com to enable smooth conduct of proceedings at the AGM. Questions / Queries received by the Company on or before Monday, September 13, 2021 on the aforementioned e-mail id shall only be considered and responded to during the AGM.
  2. Members who would like to express their views or ask questions during the AGM may register themselves as a speaker by sending their request from their registered email address mentioning their Name, DP ID and Client ID/ Folio Number, PAN, Mobile Number at m.kochar@pnbgilts.com on or before Monday, September 13, 2021. Those Members who have registered themselves as a Speaker will only be allowed to express their views/ask questions during the AGM.
  3. Members who could not have registered themselves as a speaker or send their queries can ask questions during the AGM by using communication box facility that will be appearing on the screens at the AGM.
  4. The Company reserves the right to restrict the number of questions and number of speakers, as appropriate, depending on the availability of time for the AGM or for smooth conduct of the AGM.
23. The Scrutinizer shall after the conclusion of voting at the AGM, will first count the votes cast during the AGM and thereafter unblock the votes cast through remote e-voting and shall make, not later than 48 (forty eight) hours of the conclusion of the AGM, a consolidated scrutinizer's report of the total votes cast in favour or against, if any, to the Chairman or a person authorized by him in writing, who shall countersign the same and declare the result of the voting.
24. The Results declared alongwith the report of the Scrutinizer shall be placed on the website of the Company www.pnbgilts.com and on the website of NSDL immediately after the declaration of result by the Chairman or a person authorized by him in writing. The results shall also be immediately forwarded to the BSE Limited and the National Stock Exchange of India Limited.

## ANNEXURE TO NOTICE

### PART I. EXPLANATORY STATEMENT IN RESPECT OF THE SPECIAL BUSINESS PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013 ("THE ACT")

#### Item No. 5

The Punjab National Bank i.e. the promoter-cum-parent bank ('PNB') has nominated Sh. Swarup Kumar Saha, Executive Director, PNB on the Board of Directors of the Company. Accordingly, the Board of Directors, on the recommendation of Nomination and Remuneration Committee, appointed Sh. Swarup Kumar Saha, Executive Director, PNB, as an Additional Director of the company with effect from June 18, 2021. Pursuant to Section 161(1) of the Act, Sh. Swarup Kumar Saha will hold office upto the date of ensuing AGM.

The Company has received a notice under Section 160 of the Companies Act, 2013 from a member proposing the candidature of Sh. Swarup Kumar Saha for the office of the Director of the Company.

Sh. Swarup Kumar Saha is not disqualified from being appointed as a Director in terms of Section 164 of the Act and has given his consent to act as Director. Further, he is not debarred from holding the office of director by virtue of any SEBI order or any other such authority.

Brief profile of Sh. Swarup Kumar Saha, including nature of expertise, is provided at Part II of Annexure to Notice.

Sh. Swarup Kumar Saha, does not hold by himself or for any other person, on a beneficial basis, any shares in the

Company. Sh. Swarup Kumar Saha, being an appointee, shall be deemed to be concerned or interested in this resolution.

Save and except the above, none of other Directors/Key Managerial Personnel of the Company/ their relatives (to the extent of their shareholding in the Company, if any) are in any way, concerned or interested, financially or otherwise in the resolution set out at Item No.5 of the Notice. The Board commends the resolution set forth in Item No.5 for the approval of members.

#### Item No. 6

PNB has nominated Sh. Ashutosh Choudhury, Chief General Manager and Group Chief Risk Officer, PNB on the Board of Directors of the Company. Accordingly, the Board of Directors, on the recommendation of Nomination and Remuneration Committee, appointed Sh. Ashutosh Choudhury, Chief General Manager and Group Chief Risk Officer of PNB, as an Additional Director of the company with effect from July 19, 2021. Pursuant to Section 161(1) of the Act, Sh. Swarup Kumar Saha will hold office upto the date of ensuing AGM.

The Company has received a notice under Section 160 of the Companies Act, 2013 from a member proposing the candidature of Sh. Ashutosh Choudhury for the office of the Director of the Company.

Sh. Ashutosh Choudhury is not disqualified from being appointed as a Director in terms of Section 164 of the Act and has given his consent to act as Director. Further, he is not debarred from holding the office of director by virtue of any SEBI order or any other such authority.

Brief profile of Sh. Ashutosh Choudhury, including nature of expertise, is provided at Part II of Annexure to Notice.

Sh. Ashutosh Choudhury, does not hold by himself or for any other person, on a beneficial basis, any shares in the Company.

Sh. Ashutosh Choudhury, being an appointee, shall be deemed to be concerned or interested in this resolution.

Save and except the above, none of other Directors/Key Managerial Personnel of the Company/ their relatives (to the extent of their shareholding in the Company, if any) are in any way, concerned or interested, financially or otherwise in the resolution set out at Item No.6 of the Notice. The Board commends the resolution set forth in Item No. 6 for the approval of members.

By Order of the Board of Directors

August 25, 2021  
New Delhi

  
(Monika Kochar)  
Company Secretary  
FCS 6514

Regd. Off.: 5, Sansad Marg, New Delhi -110001  
CIN: L74899DL1996PLC077120  
E-mail: m.kochar@pnbgilts.com  
Website: www.pnbgilts.com

**Part II – PURSUANT TO REGULATION 36(3) OF LISTING REGULATIONS AND IN TERMS OF SECRETARIAL STANDARDS ON GENERAL MEETING (SS-II) ISSUED BY THE INSTITUTE OF COMPANIES SECRETARIES OF INDIA, BRIEF PARTICULARS OF THE DIRECTORS TO BE APPOINTED/ RE-APPOINTED ARE AS UNDER:**

Name of Director	Sh. Swarup Kumar Saha	Sh. Ashutosh Choudhury	Sh. Vikas Goel
Date of Birth (Age)	08/02/1967 (54)	04/09/1975 (45)	11/06/1966 (55)
Nationality	Indian	Indian	Indian
Date of first appointment in Board of Company	18/06/2021	19/07/2021	01/02/2019
Qualifications	B.Sc. (Hons.), CAIIB, Diploma in Treasury, Investment & Risk Management (DTIRM), Certificate in Risk in Financial Services from IIBF in collaboration with CISI, London.	B.Sc. with Physics (Hons.), MBA in financial management, leadership programme from IIM, Bangalore.	B.Com (H), MBA (Fin. & Mktg.)
Experience/ Expertise in specific functional Area	In his Banking career (over 30 years), he has worked in Human Resource Development, Treasury, International Banking, Credit, Risk Management, Organization Restructuring and Board matters.	He has more than 20 years of experience in banking industry covering areas of Risk Management, Corporate banking, Treasury, MSME Credit, Retail Asset, Financial Inclusion, Digital Lending.	He has worked with three multinational banks (American Express Bank, Credit Agricole Bank and First Abu Dhabi Bank) in India for around 28 years in leadership roles in establishing and managing Global Markets businesses, primarily the Fixed Income and Currency asset classes etc. He is with the Company since January, 2019.
Directorship held in other Companies	<ul style="list-style-type: none"> <li>• Punjab National Bank</li> <li>• PNB Cards &amp; Services Ltd.</li> </ul>	Nil	Primary Dealers' Association of India
Chairperson / Member of the Committee of the Board of Directors of the Company	Nil	Member of the following Committees - <ul style="list-style-type: none"> <li>• Risk Management Committee</li> <li>• Nomination &amp; Remuneration Committee</li> </ul>	Member of the following Committees - <ul style="list-style-type: none"> <li>• CSR Committee</li> <li>• Stakeholders' Relationship Committee</li> <li>• Risk Management Committee</li> <li>• Share Transmission and Issue of Duplicate Shares Committee</li> <li>• Committee of Directors for Operational Matters</li> </ul>

Membership/ Chairmanship of Committee of other Companies	<p>Member of the following Committees of Punjab National Bank -</p> <ul style="list-style-type: none"> <li>• Management Committee</li> <li>• Risk Management Committee</li> <li>• Customer Service Committee</li> <li>• I.T. Strategy Committee</li> <li>• Appellate Authority and Reviewing Authority</li> <li>• Special Committee of Board to monitor and follow up Fraud cases involving Rs. 1. Cr. and above</li> <li>• HO Credit Approval Committee – Level III</li> <li>• Election of Shareholder Directors – Voting by Public Sector Banks</li> <li>• Committee of the Board to monitor the progress in recovery</li> <li>• Business Review Committee</li> <li>• Capital Raising Committee</li> </ul>	<p>• He is member of following Committees of Punjab National Bank-</p> <ul style="list-style-type: none"> <li>• ALCO</li> <li>• Technical Advisory group</li> <li>• GRMC</li> <li>• ORMC</li> <li>• MRMC</li> <li>• SPACE</li> <li>• CRMC</li> <li>• HOCAC-II</li> <li>• HOCAC-III</li> <li>• New Business Group – I</li> <li>• New Business Group - II</li> <li>• Investment Committee</li> <li>• Capital Planning Committee</li> <li>• Customer Service Committee</li> <li>• Fraud Review Council Committee</li> <li>• HO Building Committee</li> <li>• IT Steering Committee</li> <li>• Committee on Information Security</li> <li>• Central Real Estate Committee</li> <li>• HO Staff Accountability Committee</li> <li>• Audit Committee of Executive</li> <li>• Top Management Committee</li> <li>• Executive Committee</li> </ul>	Nil
Number of Board/ Committee Meetings attended during the year	Not Applicable	Not Applicable	<p>During the year 2020-21, he attended all the following held during the year -</p> <ul style="list-style-type: none"> <li>• 10 out of 10 Board meetings</li> <li>• the only one CSR Committee meeting held .</li> <li>• 2 out of 2 Stakeholders' Relationship Committee meetings</li> <li>• 3 out of Risk Management Committee meetings</li> <li>• 26 out of 27 Share Transfer and Issue of Duplicate Shares Certificates Committee meetings.</li> </ul>

Number of Shares Held either directly or for beneficial basis for any other person	Nil	Nil	Nil
Terms & Conditions of Appointment/ Reappointment including remuneration sought to be paid	Non-Executive & Non-Independent Director, not liable to retire by rotation. Other terms and conditions including remuneration, if any, regulating his appointment shall be determined by the promoter i.e. PNB.	Non-Executive & Non-Independent Director, liable to retire by rotation. Other terms and conditions including remuneration, if any, regulating his appointment shall be determined by the promoter i.e. PNB.	The Managing Director shall be vested with powers of management of the Company subject to the supervision and control of the Board of Directors and shall also perform such duties and services as shall be entrusted to him, from time to time, by the Board. The remuneration of Sh. Vikas Goel shall be governed by the provisions / service regulations of the Company as applicable to the Managing Director of the Company and any modifications, revision therein that may take place from time to time, subject to the limits prescribed under Section 197 and Schedule V of the Companies Act, 2013. In addition, the Managing Director may be paid performance linked incentive, as may be decided by the Board of Directors from year to year, based on achievement of performance parameters, as may be determined by the Board of directors or a Committee thereof from time to time. 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. He will be liable to retire by rotation.
Remuneration last drawn	Not Applicable	Not Applicable	For remuneration paid in FY 2020-21, refer Report on Corporate Governance of Board's Report.
Relationship with other Directors, Manager and KMPs of the company	Nil	Nil	Nil

## E-COMMUNICATION REGISTRATION FORM\*

(For Shareholders Holding Shares in Physical Form)

To,  
MCS Share Transfer Agent Ltd.  
(Unit : PNB GILTS)  
F-65, 1<sup>st</sup> 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 1<sup>st</sup> Registered Holder (In Block Letters) : .....

Name of Joint Holder(s) (In Block Letters) : .....

Registered Address (In Block Letters) : .....

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](mailto:m.kochar@pnbgilts.com)) so that punching errors be avoided at the time of feeding of information in the system, which will be done on receipt of duly signed format.**

#### Important Notes :

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



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## Notes

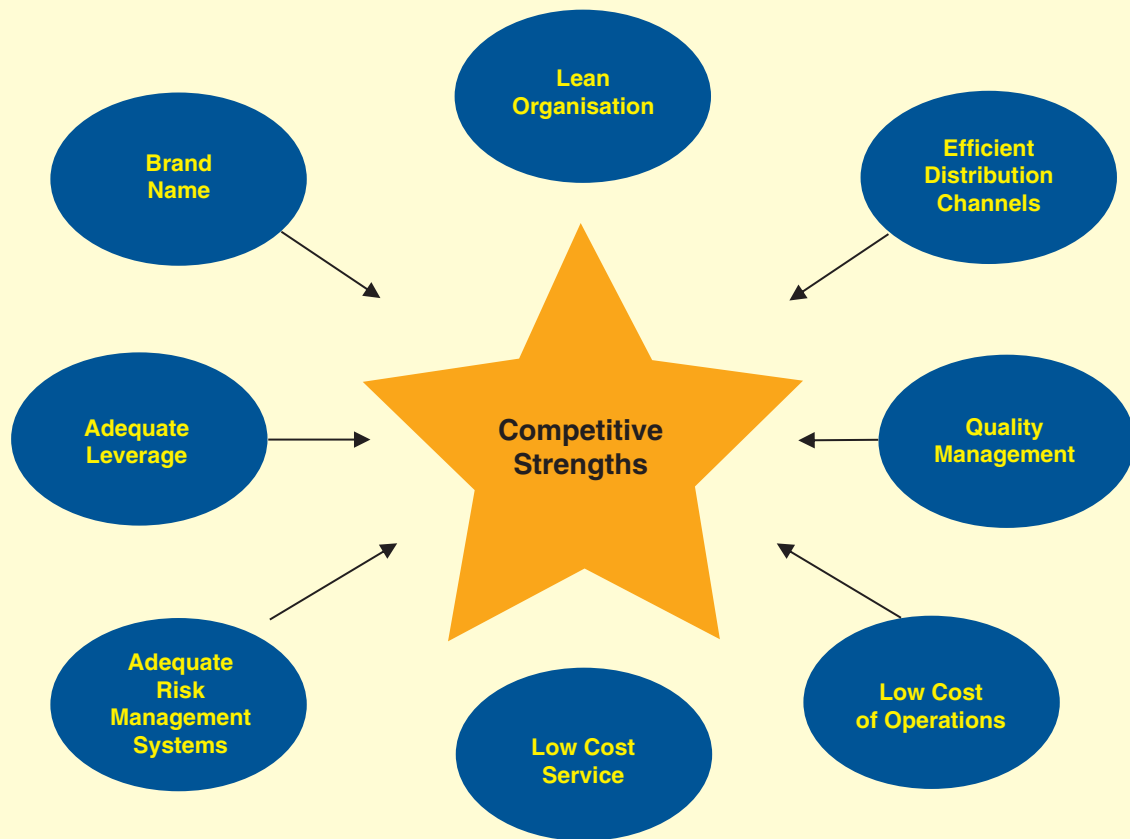
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## Notes

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## OUR STRENGTHS



**COMPANY SECRETARY**

Ms. Monika Kochar

**STATUTORY AUDITORS**

Rasool Singhal & Co.  
Chartered Accountants  
A-176, Surajmal Vihar  
Delhi - 110092

**INTERNAL AUDITORS**

Lodha & Co.  
Upasana, 1, Hailey Road,  
Vakil Lane, Mandi House,  
New Delhi-110 001

**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@pnbgilts.com  
Website: www.pnbgilts.com

**BRANCHES**

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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

8th Floor, Gujarat Bhavan,  
Behind Devnandan Mall, Opp. Sanyas Ashram,  
Ellisbridge, Ahmedabad - 380006  
Tele : 079-27544245, 27542455  
Fax : 079-27541808