PNB GILTS LTD

(A subsidiary of Punjab National Bank)

24th ANNUAL REPORT 2019-20

Board of Directors*



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 V. K. Srivastava
(Non – Executive & Non–Independent Director)



Shri Vikas Goel
Managing Director & CEO



Smt. Sunita Gupta
Executive Director & CFO

*as on 31-03-2020

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. I am happy to present the Annual Report for Financial Year 2019-20 to you.

The year 2019-20 was an unprecedented period for the global economy as the COVID19 crisis precipitated into a full blown economic crisis of a magnitude comparable to the Great Depression of the 1929. The COVID19 health crisis resulted in worldwide lockdowns which disrupted demand and supply chains across all the global economies simultaneously. The world economy is projected to contract by 4.9 per cent in 2020 according to IMF world economic outlook.

The Indian economy witnessed significant slowdown in growth in FY 2019-20 due to falling consumer demand and private investment. During the year, real GDP growth declined from 6.1 per cent in FY 2018-19 to 4.2 per cent (provisional) in FY 2019-20. India's external position improved with the current account deficit narrowing to 0.9 per cent of GDP in FY 2019-20 from 2.1 per cent in FY 2018-19 on the back of the trade deficit which shrank to USD 157.5 billion. India's Fiscal Deficit position, however, deteriorated significantly during the year on account of sharp fall in tax and non-tax revenues and burgeoning government expenditure to counter the economic slowdown. The Fiscal Deficit for FY 2019-20 is at 4.6 per cent as against the budgeted Fiscal Deficit of 3.3 per cent of GDP.

The Financial Year 2019-20 was marked by falling interest rates and availability of surplus liquidity in the banking system, which aided demand for government bonds and other fixed income products. However, the markets also faced significant challenges in terms of rising domestic inflation and high Fiscal Deficit which resulted in sharp volatility especially during the second half of the year. With respect to the monetary policy stance, the overriding objective of RBI remained supporting economic growth as a result of which it maintained an accommodative stance throughout the year, reducing the policy rates by an unprecedented 185 bps and infusing massive liquidity in the system. During the year, RBI remained in combat mode and used both conventional and unconventional tools to ease the persisting economic strain and the additional stress caused by the COVID19 crisis later towards the end of the financial year.

Your Company navigated through the exceptionally challenging time and leveraged the available opportunities efficiently to post excellent results for FY

2019-20. During the year, Company strengthened its core business strategies and scaled up the Balance Sheet size significantly which resulted in augmenting the core income. Company also enhanced its retail business segment and forayed into Debt Capital Market (DCM) Business as arrangers of primary issuances of Corporate Bonds. Your Company posted a PBT of Rs. 249.81 crore in FY 2019-20, which is a 200 per cent increase from a PBT of Rs. 83.02 crore posted in FY 2018-19. The NOF of the Company increased to Rs. 1002.19 crore as on March 31, 2020 as against Rs. 885.66 crore as on March 31, 2019. The Company remained adequately capitalized during the entire year and capital adequacy ratio as on March 31, 2020 stood at 32.47 per cent against RBI's minimum stipulation of 15 per cent. I am glad to inform you that in time of crisis and otherwise as well, your Company made a difference by contributing towards various social causes. Company undertook CSR projects through various implementing agencies and also contributed Rs. 2.75 crore (Rs. 1.75 crore in FY 2019-20 and Rs. 1.00 crore in FY 2020-21) to PM-CARES Fund set up by Government of India for dealing with the ongoing COVID19 health crisis.

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

Forward Guidance

The ongoing COVID19 crisis has been an unprecedented challenge for individuals and organizations alike. The magnitude of the crisis was unforeseen and management of the same brought to the fore measures that could well have been thought of as implausible during normal times. Your Company remained proactive and invoked its Business Continuity Plan in order to tide over the crisis without hampering the operational efficiency and compromising with the employees' welfare. Your Company is charting a growth path and we intend to make this journey strong and sustainable with the right mix of a strong team and strategies aided with technological enhancements. We are confident that with a strong Business Continuity Plan, a dynamic and proactive management and the trust of our stakeholders, your Company shall weather the crisis and chart newer heights in the years to come.

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

Yours Sincerely,

Sd/-

Date : September 4, 2020

(P.P. Pareek)*
Chairman

** Sh. P. P. Pareek was unanimously elected as Chairman.*

BOARD'S REPORT

Dear Members,

Your Directors are pleased to present the Twenty Fourth Annual Report together with the Company's audited financial statements for the financial year ended March 31, 2020.

1. RESULTS OF OUR OPERATIONS AND STATE OF AFFAIRS

The Company's financial performance, for the year ended March 31, 2020 is summarized below:

(₹ in lacs)

	For the year ended 31.03.2020	For the year ended 31.3.2019
Total Income	88259.87	50801.34
Less : Total Expenditure	55157.72	42499.27
Exception Items	8121.58	-
Profit/(loss) Before Tax	24980.57	8302.07
Less : Tax Expense	6345.11	3016.29
Profit for the period	**18635.46**	**5285.78**
Other Comprehensive Income	(115.19)	(55.43)
Total Comprehensive Income	18520.27	5230.35
Opening Balance of Retained Earnings	20713.66	18710.60
Closing Balance of Retained Earnings	32472.45	20713.66
Earnings per share (Rs.)	10.35	2.94

The financial year 2019-20 was a challenging year for the bond market which witnessed huge volatility. Initially, the yields fell, triggered by successive rate cuts by RBI on account of persistent growth concerns. However, reduction in corporate tax structure resulting in concerns on weak Government finances and rise in CPI inflation above RBI's target weighed on sentiments and market turned extremely cautious. Operation twist by RBI did help to improve the sentiments but it was again short lived with expectation of additional borrowing in the Union Budget weighing on market sentiments. It was only towards the close of the year, RBI took some unprecedented measures in order to mitigate the risks to the economy from the Covid crisis by slashing the repo rate by 75 basis points, Reverse Repo rate by 90 basis points & CRR by 1 per cent besides announcing a host of regulatory forbearance & massive liquidity infusion measures in order to avoid major setbacks in the financial system and freezing of credit flow. The bond markets reacted positively to these steps and the 10-yr closed the year at 6.14 per cent. Thus the 10 year bond yield which opened at 7.35 per cent, touched a high of 7.47 per cent and a low of 5.98 per cent closed the year at 6.14 per cent.

During FY'20, Company posted excellent profits with PBT at Rs. 24980.57 lacs vis-à-vis PBT of Rs. 8302.07 lacs during FY'19. The PBT achieved during the year is post complete write off of bonds of DHFL and RHFL (non-payment of principal and interest) and currently there are no default bonds in the books of the company. Additionally, Company continued to fulfill all its obligations as a Primary Dealer in both primary and secondary market. With regard to Treasury Bills commitment, the Company exceeded the stipulated success ratio of 40 per cent, achieving 41.10 per cent and 40.24 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 190 times for treasury bills and 422 times for government-dated securities as on March 31, 2020 against the minimum RBI stipulation of 10 times and 5 times respectively.

Impact of COVID-19

In the last month of FY 2020, the COVID-19 pandemic developed rapidly into a global crisis, forcing governments to enforce lock-down of all economic activity. 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 much before the lockdown restrictions imposed by the Government. In this model, work from home was enabled to close to 81 per cent of the employees to work remotely and securely. Remaining employees operated from different office locations without any health issues.

Under the prevailing most challenging 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 2019-20 has given a sum of Rs. 175.56 lacs to PM Cares Fund set up by the Govt. of India for dealing in emergent situations like Covid-19. In addition to this, the company has given Rs. 100 lacs under its CSR activity of current fiscal i.e. 2020-21.

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, 2020 stood at 32.47 per cent as against the RBI stipulation of 15 per cent.

Dividend

Your Board has recommended a dividend of ₹ 3 (i.e. 30 per cent) per equity share (last year ₹ 1.40 per equity share) for the financial year ended March 31, 2020, subject to approval in the ensuing Annual General Meeting. The total outflow on account of said dividend shall be ₹ 5400.30 lacs.

Transfer to Reserves

Your Company proposes to transfer ₹ 3727.09 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 Obligations and Disclosure Requirements) Regulations, 2015 ("the 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 five times during the financial year 2019-20 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 2019-20, Dr. Kamal Gupta (DIN: 00038490), Independent Director, resigned from the directorship of the Company w.e.f. June 28, 2019.

The members in their Annual General Meeting held on August 28, 2019 approved the re-appointment of

Sh. P. P. Pareek (DIN : 00615296), as an Independent Director for another term of 5 consecutive years from August 30, 2019 to August 29, 2024.

In the same meeting, the members also approved the following appointments-

- Smt. Uma Ajay Relan (DIN: 07087902) as an Independent Director for a period of 5 years from June 28, 2019 to June 27, 2024.
- Dr. T. M. Bhasin (DIN: 03091429) as an Independent Director for a period of 5 years from July 30, 2019 to July 29, 2024.
- Sh. V. K. Srivastava (DIN: 07234326), General Manager & Group Chief Risk Officer of Punjab National Bank as a Non-Executive Director.
- Sh. Vikas Goel (DIN: 08322541) as Managing Director & CEO for a period of 3 years from February 01, 2019 to January 31, 2022. Sh. Vikas Goel is also Key Managerial Personnel of the Company.

Further, consequent to completion of tenure as Managing Director & CEO of Punjab National Bank, Sh. Sunil Mehta (DIN:07430460), Chairman of the Company resigned from the Board of the Company w.e.f September 30, 2019. Your Board places on record its appreciation for the valuable contribution and guidance extended by him during his tenure as Chairman.

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.

The tenure of Smt. Sunita Gupta (DIN: 06902258), Whole-Time Director (designated as 'Executive Director & CFO') was upto August 31, 2020. Accordingly, she ceased from her position in Company w.e.f September 1, 2020.

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 Obligations and Disclosure Requirements) Regulations, 2015and 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.

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/governence/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/governence/1576737306.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 policies are appended as Annexure A to the Board's Report.

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 Obligations and Disclosure Requirements) Regulations, 2015. 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. All the Independent Directors have got themselves registered with Indian Institute of Corporate Affairs. 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 (LODR) Regulations, forms part of the Annual Report.

3. OTHER DISCLOSURES –

Audit Committee

The composition of Audit Committee during FY 2019-20 was as under–

Name of Director	Position
Sh. P. P. Pareek	Chairman
Dr. Kamal Gupta[1]	Member
Sh. S. K. Kalra	Member
Smt. Uma Ajay Relan[2]	Member
Dr. T. M. Bhasin[3]	Member

1 Relinquished the position of Independent Director and consequently ceased to be a member of the Committee w.e.f. June 28, 2019.

2 Member of the Committee w.e.f. June 28, 2019.

3 Member of the Committee w.e.f. November 9, 2019.

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

Corporate Social Responsibility (CSR) Committee

For composition of the CSR Committee during FY 2019-20, please refer the Annual Report on CSR at Annexure B.

The CSR policy of the Company, duly recommended by the CSR Committee and approved by the Board, is available at Company's website at the link https://www.pnbgilts.com/data/governence/1589174288.pdf**.** During the year 2019-20, the scope of activities that can be undertaken under CSR policy of the Company has been widened and modalities for implementation have been clarified in the Policy. The CSR activity of the Company is carried out as per the instructions of the Committee and Board. During the year 2019-20, 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 2019-20 in the prescribed format is presented at Annexure B 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://www.pnbgilts.com/data/governence/1554113767.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 given in form AOC-2 at Annexure C). Further during the year, the company had not entered into any contract / arrangement transactions with related parties which could be considered material in accordance with the company policy / standard operating procedures (SOP) on related party transactions Company's Policy/SOP on Related party Transactions can be accessed at the Company's website at the link https://www.pnbgilts.com/data/governence/1554113744.pdf

Necessary disclosure in prescribed form AOC-2 is annexed at Annexure C.

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 2019-20 had already been considered by its parent bank i.e. Punjab National Bank for 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, 2020, 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, 2020 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 D.

The information required pursuant to Section 134 read with rule 5(2) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 shall be provided upon 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. During the year 2019-20, there were no cases filed pursuant to the said Act.

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

Annual Return is available at Company's website at the link https://www.pnbgilts.com/page.php?id=16

Deposits

During the year ended March 31, 2020, 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 Company also has an Asset–Liability Committee (ALCO) of executives of the Company comprising of the Managing Director & CEO, Executive Director & 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.

Commercial Paper

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

a. 'ICRA A1+' assigned to Rs. 500 crore Commercial Paper programme of the Company.

b. 'CRISIL A1+' assigned to Rs. 500 crore (enhanced from Rs. 250 crore from January 30, 2019) Commercial Paper Programme of the Company.

During the year, your Company issued commercial papers and as on March 31, 2020, outstanding value of commercial papers of the Company was Rs. 500 crore.

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, 2020. 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 2019-20. 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 2019-20. The Secretarial Audit Report for the financial year ended March 31, 2020 is annexed as Annexure E 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 observation made in the Auditor's Report is self-explanatory and therefore do not call for any further comments.

Internal 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 2019-20, 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

Date : September 4, 2020
Place: New Delhi

Sd/-
(Vikas Goel)
Managing Director & CEO
DIN: 08322541

Sd/-
(Tejendra Mohan Bhasin)
Independent Director
DIN: 03091429

Annexure A

REMUNERATION POLICY

The Policy reflects the Company's objectives for good corporate governance as well as sustained long-term value creation for shareholders. The Remuneration Policy is applicable to Independent Directors, Non-Independent Directors, Key Managerial Personnel, senior management and other employees. HR Policy including Service Regulations, increment policy etc. of the Company is a part of this Policy.

Purpose and Basic Principles

The Remuneration Policy seeks to ensure adequate remuneration in recognition of their dedication and the responsibility assumed, and in accordance with the remuneration paid in the market by peer group, taking into account the long term interest of all the shareholders. The guiding principle is to offer remuneration systems that make it possible to attract, retain, and motivate the most outstanding professionals in order to enable the Company to attain its strategic objectives within the increasingly competitive environment in which the Company operate.

The Remuneration Policy seeks to:

- Ensure that the remuneration, in terms of structure and total amount, is in line with best practices, as well as competitive vis-à-vis that of comparable entities.
- Establish the remuneration, in accordance with objective standards, based on individual performance and on the achievement of the business objectives of the Company.
- Include a significant annual variable component tied to performance and to the achievement of specific, pre-established, quantifiable objectives in line with the corporate interest and strategic goals of the Company.
- The foregoing should be understood to be without prejudice to the possibility of considering other objectives, especially in the area of corporate governance and corporate social responsibility.
- Foster and encourage the attainment of the strategic goals of the Company through the inclusion of long-term incentives, strengthening continuity in the competitive development of the company, of its directors, and of its management team, and generating a motivating effect that acts as a driving force to ensure the loyalty and retention of the best professionals.
- Set appropriate limits to any short-term or long-term variable remuneration, and establish suitable mechanisms to reconsider the implementation and payment of any deferred variable remuneration when a reformulation occurs that has a negative effect on the Company's annual accounts, including the potential total or partial cancellation of the payment of deferred variable remuneration if there is a correction of the annual accounts upon which such remuneration was based.

Competent Bodies

The Board of Directors, at the proposal of the Nomination and Remuneration Committee, is the body with authority to determine the remuneration of directors within the overall limit established in the Act.

Limit on Directors' Remuneration

Pursuant to the provisions of the Act and rules made thereunder, the Directors' Remuneration shall be within the overall limits defined under Section 197 and other applicable provisions of the Companies Act, 2013 and Schedule V of the Act and Rules made thereunder. The terms of service, including remuneration matters, of Managing Director, Executive Director, other Key Managerial Personnel, senior management and other employees shall be subject to Service Regulations of the Company, which is being reviewed by Nomination & Remuneration Committee and approved by the Board on annual basis.

Structure of remuneration of Managing Director, Executive Director, Key Managerial Personnel and other employees

The remuneration that Managing Director and Executive Director etc. are entitled to receive for the performance of executive duties at the Company is structured as follows:

(a) Fixed Remuneration/CTC –

(i) Fixed Remuneration/CTC of Managing Director and Executive Director -

This portion of the remuneration shall be in line with the remuneration paid in the market by competing companies. Under ordinary circumstances, it includes remuneration by way of salary, perquisites and allowances. The Nomination & Remuneration Committee recommends suitable package to the Board for approval, which is subject to shareholders' approval and limits specified under Schedule V of the Companies Act, 2013.

(ii) Fixed Remuneration/CTC of Key Managerial Personnel, Senior Management and other employees -

Remuneration of employees largely consists of salary, perquisites, and allowances. The detailed components of the fixed remuneration are defined in the service regulations of the company. Annual increments are given each year in line with the performance parameters defined in the increment policy.

(b) Variable Remuneration

In order to strengthen employees' commitment to the Company, to retain and promote a better performance of their duties, the Company gives a performance linked incentive. This variable remuneration shall be tied, for the most part, to the achievement of specific and pre-established profit targets and other objectives as a Primary Dealer that are quantifiable and aligned with the corporate interest and with the strategic objectives of the Company. The Nomination and Remuneration Committee will assess the achievement of Company's objectives vis-à-vis individual performance. The Committee may seek the advice of independent professionals in this regard. The proposal thereof shall be submitted to the Board of Directors for approval on annual basis. While assessing the performance of the employee, the Committee/Board also broadly takes into account the profits earned by the Company for the year.

The recommending authority must ensure appropriate balance between fixed and variable remuneration.

Structure of remuneration of Non-Executive / Independent Directors

Remuneration of Non-Executive/ Independent Directors is subject to the provisions of Section 197 of the Companies Act, 2013 & Rules made thereof and Articles of Association of the Company. The Board approves the sitting fee payable to Non-executive/Independent Directors. In addition, the Company also pays out of pocket expenses incurred by them for attending such meetings.

Principle of Full Transparency

The Board of Directors assumes the commitment to enforce the principle of the fullest transparency of all the items of remuneration received by all directors, providing clear and adequate information as much in advance as required and in line with the good governance practices generally recognised in Indian markets in the area of director remuneration.

For such purpose, the Board of Directors establishes the Remuneration Policy and ensures the transparency of director remuneration by including in the Company's report a detailed breakup, according to positions and status, of all remuneration received by the directors, whether as such, in their capacity as executives, if applicable, or in any other capacity. The Company's Remuneration Policy shall be published suitably in the Directors' report or Annual Report.

General

Any or all provisions of this Policy would be subject to revision/amendment in accordance with the guidelines etc. on the subject as may be issued by Government/regulatory bodies etc., from time to time.

ELIGIBILITY CRITERIA OF DIRECTORS AND POLICY ON BOARD DIVERSITY

Introduction

In pursuance of the provisions of Section 178 of the Companies Act, 2013 and Rules made thereunder read with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('the Listing Regulations') and RBI guidelines for NBFCs, the Nomination and Remuneration Committee of the Board (the "Committee") is responsible for evaluating the qualifications of each director candidate and of those directors who are to be nominated for election by shareholders at each annual general meeting and for recommending duly qualified director nominees to the full Board for election. The qualification criteria set forth herein are designed to describe the qualities and characteristics desired for the Board as a whole and for Board members individually.

Director Qualification Review Procedures

The Committee shall evaluate each director and director candidate under the Director Qualification Criteria set forth herein and recommend to the Board for their appointment accordingly.

Director Qualification Criteria

The Committee has not established specific education (minimum will be graduation), and years of business experience or specific types of skills for Board members, but, in general, expects qualified directors to have ample experience and a proven record of professional success, leadership and the highest level of personal and professional ethics, integrity and values.

In evaluating the suitability of individual Board members, the Committee takes into account many factors, including general understanding of the Company's business dynamics, global business and social perspective, educational and professional background and personal achievements.

Key Board Expertise/Skills/Competencies which can be taken into consideration by the Committee while nominating candidates to serve on Board shall be as under -

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 addition, directors must be willing to devote sufficient time and energy in carrying out their duties and responsibilities effectively. They must have the aptitude to critically evaluate management's working as part of a team in an environment of collegiality and trust.

The Committee evaluates each individual with the object of having a group that best enables the success of the Company's business.

Qualifications and tenure of Directors as per Companies Act, 2013

The Act has also prescribed certain criteria for qualification of directors, which has since been adopted by the Company i.e.:

Section 196 and Schedule V (Part-I) (for the appointment of Managing Director, Whole Time Director and Manager), Section 149 (for appointment of Independent Directors) and any other applicable provisions of Companies Act, 2013 and Rules made thereunder.

Further, a Director should not be disqualified in terms of Section 164 of the Act.

What constitutes independence for Directors

For a Director to be considered Independent, the Board determines that the Director does not have any direct or indirect material pecuniary relationship with the company. The Board has adopted guidelines to determine independence, which are in line with the applicable legal requirements as stated in Section 149 of the Companies Act, 2013 and the Rules made thereunder read with Listing Regulations. Apart from the provisions laid down under the Companies Act, 2013 and Listing Regulations, the Board also considers all relevant facts and circumstances, not merely from the standpoint of the Directors but also from that of persons or organizations with which the director has an affiliation in forming an opinion on the independence of the concerned director(s).

The criteria of independence is provided in the Section 149 of the Companies Act, 2013 and Listing Regulations. The Company also obtains an annual declaration from all Independent Directors confirming that they meet the requirements of an Independent Director as per the Companies Act, 2013 and Listing Regulations.

Succession Planning

A planned programme of recruitment and retirement amongst Board members and senior management is of significant importance.

It is an important part of the Board's work to ensure that there is adequate management development and succession planning particularly at the top levels. Succession planning also involves an assessment of the challenges and opportunities facing the company, and an evaluation of the skills and expertise that will be needed in the future. The Nomination and Remuneration Committee is to provide support on this. Both executive and non-executive requirements shall be considered. The Committee shall satisfy itself that processes and plans are in place for orderly succession for appointments to the Board and to senior management to maintain an appropriate balance of skills on the Board and in the company.

In addition, the annual appraisal assessment process for all the employees including the senior management personnel has succession planning and employee progression as one of the key attributes.

The process is institutionalized in the Company's HR framework and by design, it is the responsibility of the superiors to identify the succession path and suggest the training and development of skill necessary for the company executives or suggest new recruitment wherever gaps exist.

Board Diversity

In accordance with the requirements of the Listing Regulations, atleast half of the Board shall comprise of Independent Directors. Further, atleast one woman director should also be there. The Committee, along with the Board, reviews on an annual basis, appropriate skills, characteristics and experience required from the Board as a whole and its individual members. The objective is to have a Board with diverse background and experience in business, government, academics, technology and in the areas that are relevant for the Company's operations.

Thus, the Committee should strive for a diversified Board consisting of executive and non-executive members (more of non-executive).

The Board of the Company always strives to maintain equilibrium between the Independent Directors and Non- Independent Directors.

General

Any or all provisions of this Policy would be subject to revision/amendment in accordance with the guidelines etc. on the subject as may be issued by Government/regulatory bodies etc., from time to time.

On behalf of Board of Directors

Date : September 4, 2020
Place: New Delhi

Sd/-
(Vikas Goel)
Managing Director & CEO
DIN: 08322541

Sd/-
(Tejendra Mohan Bhasin)
Independent Director
DIN: 03091429

Annexure B

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/governence/1589174288.pdf

   During the year 2019-20, the Company took efforts and extended its support in in following areas/social issues:

   a. Ensuring promotion of education through installation of sports infrastructure for children including the underprivileged and below the poverty line.

   b. Improving access to health care by providing a C-arm Machine to a Jaipur based Hospital. The machine will be primarily used in Neuro, Gastro and Ortho Oncology departments of the hospital.

   c. Under environment conservation, the company is focusing on restoration & rejuneivation of water shed area of south end (area B) of Biodiversity Park Sikanderpur in Aravali Hills. With the help of the partnered organisaton and architect(s) to be 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.

2. **Composition of the CSR Committee**

   The composition of the CSR Committee during FY 2019-20 was as under –

Name of Director	Position
Sh. S. K. Kalra[1]	Chairman
Sh. P. P. Pareek[1]	Chairman
Dr. Kamal Gupta[2]	Member
Smt. Uma Ajay Relan[3]	Member
Dr. T. M. Bhasin[4]	Member
Sh. Vikas Goel	Member

1 The Committee was reconstituted w.e.f. November 9, 2019. Till November 8, 2019, Sh. S. K. Kalra acted as Chairman of the Committee and w.e.f. November 9, 2019, Sh. P. P. Pareek, who was earlier a Member of the Committee, appointed as the Chairman.

2 Relinquished the position of Independent Director and consequently ceased to be a member of the Committee w.e.f. June 28, 2019.

3 Inducted as Member of Committee w.e.f. June 28, 2019.

4 Inducted as Member of Committee w.e.f. November 9, 2019.

3. Average Net Profit of the Company for last 3 financial years : ₹ 11899.08 lacs

4. Prescribed CSR expenditure (2 per cent of amount) – ₹ 237.99 lacs

5. Details of CSR spent during the financial year:

   (a) Total amount to be spent during the financial year – ₹ 237.99 lacs

(b) Amount un-spent, if any – Nil

(c) Manner in which the amount spent during financial year is detailed below:

Sr. No.	CSR project/ activity identified	Sector in which the Project is covered	Projects/ Programmes 1. Local area/ others 2. Specify the state and district where project/ programme was undertaken	Amount outlay (budget) project/ programme wise	Amount spent on the project/ programme Sub-heads: 1.Direct expenditure on project/ programme 2. Overheads:	Cumulative expenditure up to the reporting period	Amount spent: Direct/ through implementing agency
1	PM Cares Fund	-	-	₹ 175.56 lacs	₹ 175.56 lacs (Direct)	₹ 175.56 lacs	Direct
2	Project for Supply, installation and commissioning infrastructure in St. Xavier's Sr. Sec. School, Delhi	Promotion of education	Delhi	₹ 39.00 lacs	₹ 23.08 lacs (Direct)	₹ 23.08 lacs	Implementing Agency - Delhi Xavier's 85 Charitable Trust
3	Project for Supply, installation and commissioning of operating micro scope in BMCHRC, Jaipur	Promotion of health care including preventive health care	Jaipur (Rajasthan)	₹ 18.50 lacs	₹ 18.50 lacs (Direct)	₹ 18.50 lacs	Implementing Agency - Bhagwan Mahaveer Cancer Hospital & Research Centre
4	Project for eco restoration of waterbody and habitat conservation of watershed, Sikanderpur Village, Gurugram	Environment Sustainability	Gurugram (Haryana)	₹ 45.77 lacs	₹ 20.85 lacs	₹ 20.85 lacs	Implementing Agency – I Am Gurgaon

Details of Implementing Agencies: During the year 2019-20, the Company has carried out its CSR initiatives through following non-profit organizations :

a. Delhi Xavier's 85 Charitable Trust is a registered not-for-profit organisation, started in 2010 by alumni's of 1985 student batch of St. Xavier's School for promotion of education & learning in all its branches and empowerment of underprivileged children, and widow women through education.

b. Bhagwan Mahaveer Cancer Hospital & Research Centre is a NABH accredited institution and it came into existence in the year 1997 as a cancer specialty hospital offering cancer prevention, treatment, education and research. Organ-specific departments of hospital includes Surgical Oncology, Medical Oncology, Radiation Oncology, Radiology, Pathology, and Blood Bank. The hospital aims to serve patients not only within Rajasthan but also from neighboring states who earlier had no alternative other than to go to metro cities. Under its objective of lending a helping hand to the underprivileged, the hospital not only treat patients

under BPL category for free up to the extent of 25% but also offer subsidized cost of treatment for the patients belonging to the weaker strata.

c. I Am Gurgaon is a not for profit society formed in 2009 and is focused on restoring Gurugram's green habitat that has been lost to rampant urbanization. They work with the government, other NGOs, the citizens and corporates to create impact. The Aravali Biodiversity Park, Chakkarpur Wazirabad Bundh, Badshahpur Forest Corridor, Sikanderpur Watershed and Restoration of the Forest and Samadhan Hub are few of the projects undertaken by them in collaboration with MCG and Forest department.

6. In case the company has failed to spend the 2 per cent of the average net profit of the last 3 financial years or any part thereof, reasons for not spending the amount in its Board Report – Not Applicable.

7. Responsibility Statement by the CSR Committee -

   We hereby affirm that CSR policy, as approved by the Board, has been implemented and the CSR Committee monitors the implementation of the CSR projects and activities in compliance with CSR objectives and policy of the Company.

Date : September 4, 2020
Place : New Delhi

Sd/-
(Vikas Goel)
Managing Director & CEO
DIN: 08322541

Sd/-
(Prem Prakash Pareek)
Chairman, CSR Committee
DIN: 00615296

Annexure C

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:

1. Details of contracts / arrangements or transactions entered into during the financial year ended March 31, 2020, 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	a Madhya Bihar Gramin Bank b. Sarva Haryana Gramin Bank c. Himachal Gramin Bank d. Punjab Gramin Bank e. Sarva UP Gramin Bank f. PNB Employees Pension Fund g. PNB Employees PF Fund i. PNB Employees Gratuity Fund (a) to (e) above are Associates of Punjab National Bank (PNB), parent bank (f) to (h) above are post employment benefit plan of the 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)	Availing or rendering of any services
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.	The arrangement was till 30.04.2019.

4	Salient terms of the contracts or arrangements or transaction including the value, if any	No transaction value is there as these transactions are being done in view of parent-subsidiary relationship and on mutual understanding.	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.)	Transaction fee charged on concessional basis depending upon the relationship (50% concession on charges to PNB sponsored RRBs and post employment benefit plans of parent bank till 30.04.2019. Same is in ordinary course of business. Normal Charges are as under – a. The Constituent Deals with Third Party i.e. the counterparty is other than PNB Gilts Ltd.- ₹ 750/- plus applicable taxes per deal plus CCIL charges on actual basis. b. For collection and remittance of interest/ maturity proceeds - ₹ 500/- plus applicable taxes per security per half year or on maturity proceeds c. The Constituent Buys/Sells securities to PNB Gilts Ltd. – NIL d. For issue of holding certificate from a firm of Chartered Accountants – Actual. e. CSGL account's Annual Maintenance Charges - ₹1500/- per annum plus applicable taxes f. Conversion charges from Demat to CSGL and vice versa – ₹ 500/-per transaction plus applicable charges. g. Creation/revocation Lien/ Hypothecation/ Pledge- ₹ 500 per transaction
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.	The Company and associates/ post employment benefit plans of the parent bank are entering into these transactions as they are part of promoter group.

6	Date(s) of approval by the Board	03.08.2015	29.01.2015	26.10.2016	30.07.2016	18.08.2018 and 17.11.2018
7	Amount paid as advances, if any	Nil	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	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 contract 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, 2020

On behalf of Board of Directors

Date : September 4, 2020
Place: New Delhi

Sd/-
(Vikas Goel)
Managing Director & CEO
DIN: 08322541

Sd/-
(Tejendra Mohan Bhasin)
Independent Director
DIN: 03091429

Annexure D

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 2019-20

(₹ in lacs)

Sl. No	Name of Director	Director's Remuneration	Employee Median Remuneration	Ratio (No. of times)
1	Sh. Sunil Mehta*	1.50	15.53	0.10
2	Dr. Kamal Gupta*	1.55		0.10
3	Sh. P. P. Pareek	5.70		0.37
4	Sh. S. K. Kalra	9.50		0.61
5	Smt. Uma Ajay Relan**	6.00		0.39
6	Dr. T. M. Bhasin**	2.80		0.18
7	Sh. V. K. Srivastava**	1.45		0.09
8	Sh. Vikas Goel	100.47***		6.47
9	Smt. Sunita Gupta	63.21***		4.07

* Sitting fee paid to Sh. Sunil Mehta is upto September 30, 2019 and for Dr. Kamal Gupta, same is upto June 28, 2019.

** Sitting fee paid to Smt. Relan is w.e.f. June 28, 2019 and for Dr. Bhasin and Sh. Srivastava, same is w.e.f. July 30, 2019.

*** 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 2019-20, a variable pay of ₹ 4.18 lacs (proportionate amount for the period from January 14, 2019 to March 31, 2019) and ₹ 9.28 lacs (Prev. Year: ₹ Nil and ₹ 6.56 lacs) was paid to the Managing Director & CEO and Executive Director & CFO, at Sl. No. 8 and 9 above, respectively. 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.

Notes: 1. Directors at Sl. No. 1 to 7 are/were Non-Executive Directors and only sitting fee has been paid. Sitting fee of promoter directors at Sl. No. 1 and 7 has been paid to Punjab National Bank, who is the promoter of the Company, as per the instructions received from said bank/directors.

2. Out of pocket expenses incurred by them for attending the meetings and service tax 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. Sunil Mehta*	NA
2	Dr. Kamal Gupta*	NA
3	Sh. P. P. Pareek*	80.95
4	Sh. S. K. Kalra*	NA
5	Smt. Uma Ajay Relan*	NA
6	Dr. T. M. Bhasin*	NA

7	Sh. V.K. Srivastava*	NA
8	Sh. Vikas Goel	NA
9	Smt. Sunita Gupta	36.70
10	Smt. Monika Kochar	35.92

* received only sitting fee during the year. Sitting fee of promoter Director at Sl. No. 1 and 7 above has been paid to PNB as per instructions.

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 2019-20, a variable pay of ₹ 4.18 lacs (proportionate amount for the serving period from January 14, 2019 to March 31, 2019) and ₹ 9.28 lacs and ₹ 2.14 lacs (Prev. Year: ₹ Nil, ₹ 6.56 lacs and ₹ 1.40 lacs) was paid to the Managing Director & CEO, Executive Director & CFO and Company Secretary, at Sl. No. 8, 9 and 10 above, respectively. Apart from this, benefit on account of leave encashment and gratuity which are provided based on actuarial valuation for the company as a whole, is also available.

During 2019-20, Sh. S. K. Dubey, Ex-Managing Director, was also paid an amount of ₹ 9.19 lacs towards Performance Linked Variable Pay (PLVP) pertaining the period from April 1, 2018 to January 31, 2019.

Except above, there was no increase in remuneration of other Directors as either they were not directors in FY 2018-19 or were appointed during FY 2019-20. Further with respect to Non-Executive Directors (Sl. No. 3), increase in remuneration is on account of attending a higher number of Board/Committee meetings during FY 2019-20 as opposed to FY 2018-19.

c. In the financial year 2019-20, there was an increase of 3.78 per cent in the median remuneration of employees.

d. Total number of employees of the Company as on March 31, 2020 were 40 (including 2 employees 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 2019-20 was 39.79 per cent whereas the increase in managerial remuneration was 19.21 per cent in this period. 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

Date : September 4, 2020
Place: New Delhi

Sd/-
(Vikas Goel)
Managing Director & CEO
DIN: 08322541

Sd/-
(Tejendra Mohan Bhasin)
Independent Director
DIN: 03091429

Annexure E

Form No. MR-3

SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED MARCH 31, 2020

[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, 2020. 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, 2020, 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 the last date of filing of Form AOC-4 NBFC (Ind AS) was March 31, 2020 and the Company filed on July 28,2020. As represented by management this delay was on account of certain technical issues on MCA portal and difficulties on account of lockdown and COVID19. Considering the Company availed Company Fresh Start Scheme 2020 introduced by Ministry of Corporate Affairs, we have not formed any adverse opinion with respect to aforesaid delayed filling.

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 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

Sd/-
(Arpita Saxena)
Partner
Mem. No : A23822: CP No.: 11962
UDIN : A023822B000541009

Date: July 31, 2020
Place: Ghaziabad

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.

For **Pranav Kumar & Associates**
Company Secretaries

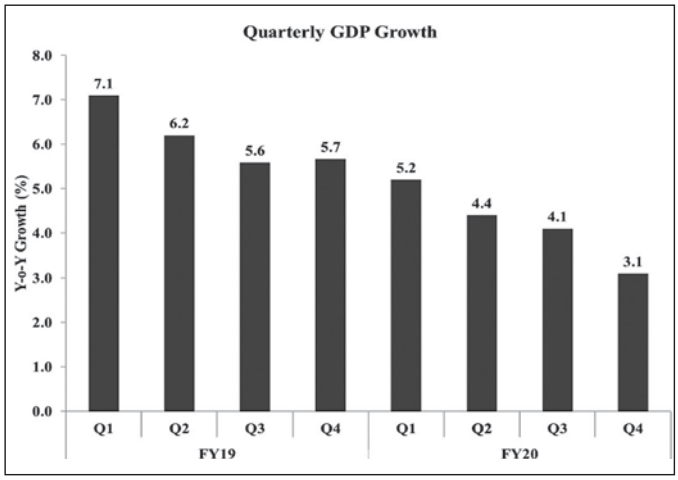
Sd/-
(Arpita Saxena)
Partner
Mem. No : A23822: CP No.: 11962
UDIN : A023822B000541009

Date: July 31, 2020
Place: Ghaziabad

MANAGEMENT DISCUSSION AND ANALYSIS

MACROECONOMIC REVIEW: FY 2019-20

Domestic Overview



The Indian economy faced unprecedented headwinds during FY 2019-20 and growth slowed down significantly especially in the second half of the year. The real Gross Domestic Product (GDP) growth slowed down to an eleven year low of 4.2 per cent while the nominal GDP growth stood at a multi decade low of 7.2 per cent. Growth in Gross Value Added (GVA) plunged to almost a two decade low of 3.9 per cent in FY 2019-20 as against 6 per cent growth witnessed in FY 2018-19. The sharp slowdown in economic activity was triggered due to secular deterioration in private consumption and investment which have traditionally been the key drivers of the Indian economic growth. During FY 2019-20, Private Final Consumption Expenditure (PFCE) (on constant prices) grew by only 5.3 per cent as against 7.2 per cent in FY2018-19. The deceleration in GDP growth has primarily been driven by Gross Fixed Capital Formation (GFCF) and exports, which recorded a sharp weakening to a y-o-y contraction of 2.8 per cent and 3.6 per cent, respectively, from the healthy 9.8 per cent and 12.3 per cent expansion in the previous year. In order to offset the sharp decline in private activity, the government expenditure (GFCE) witnessed a healthy expansion of 11.8 per cent in FY 2019-20 as against 10.1 per cent in FY 2018-19. Sector wise annual trends show that manufacturing and construction sectors fared poorly, posting growth of 0.03 per cent and 1.3 per cent respectively during the year, while agriculture and mining activity (4 per cent and 3.1 per cent respectively) threw a positive surprise registering higher growth rates compared to previous year, making up for the sharp decline in growth in other sectors. The outlook for economic growth remains downbeat as the Covid crisis manifests into a full blown economic crisis, with demand and supply chains being disrupted simultaneously. Any recovery in economic activity will be contingent on continued government support, panning of the Covid epidemiological curve and availability of the vaccine.

On the inflation front, the headline consumer price index (CPI) inflation breached the upper tolerance band of the target in December 2019 and peaked in January 2020, and subsequently eased downwards on account of decline in prices of vegetables, fruits and petroleum products in February and March. The outlook for inflation remains ambiguous with a sharp decline in crude oil prices, healthy Kharif sowing pattern and subdued consumer demand likely to keep prices in check while any supply side disruptions may exert upward pressure on prices.

Forex Market

Since April 2019, the INR traded with a depreciating bias, dipping to a low of ₹72.19 per US dollar on September 3, 2019. The fall in the INR was in line with many EME currencies experiencing depreciation vis-à-vis the US dollar, which was pronounced in August and September. Overall, the fall in the INR during H1 of FY 2019-20 was largely due to equity sell-offs by FPIs and strengthening of the US dollar, triggered by rising risk aversion among investors on escalating US-China trade tensions and concerns over tepid global growth. Rupee continued to weaken further going into H2 as growing risk aversion and growing worries of global recession due to the Covid crisis triggered heavy sell off in the equity markets which severely impacted portfolio investments. Consequently, EME currencies, including the INR, weakened sharply in March, with the latter depreciating to an intraday low of Rs.76.24 on March 24, 2020.

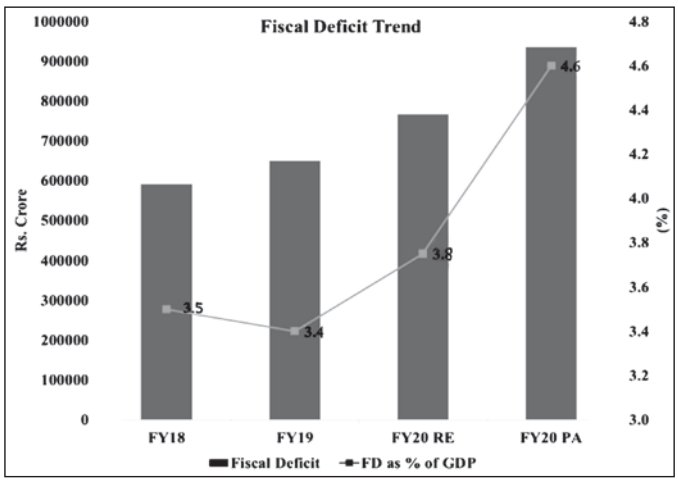
Current Account Balance

The current account deficit (CAD) narrowed to 0.2 per cent of GDP in Q3 of FY 2019-20 from 0.9 per cent in Q2 and from 2.7 per cent in Q3 a year ago. The contraction in the CAD was primarily on account of a lower trade deficit and a

rise in net services receipts. Net capital inflows exceeded the CAD in Q3 of FY 2019-20. Net foreign direct investment (FDI) flows at US$ 37.8 billion in April-January FY 2019-20 were higher than those a year ago, flowing mainly to manufacturing, communication, retail and wholesale trade, financial and computer services. Amidst growing risk aversion on fears of global recession in the wake of COVID-19 pandemic, foreign portfolio investors (FPIs) turned net sellers beginning February 18, 2020. Foreign portfolio investment (FPI) outflows accentuated further from March 6, 2020 as the oil price war between Saudi Arabia and Russia caused fresh turbulence in global financial markets. Overall, FPI outflows were of the order of US$ 7.1 billion in FY 2019-20. Under the voluntary retention route (VRR), however, net investment by FPIs amounted to US$ 8.7 billion up to March 31, 2020. Net disbursals under external commercial borrowings (ECBs) by Indian entities at US$ 3.2 billion in Q3 FY 2019-20 were higher than those of US$ 2.0 billion a year ago. Net International Investment Position (IIP), i.e., the difference between a country's external financial assets and liabilities, improved during Q3 FY 2019-20 over Q2. India's foreign exchange reserves were placed at US $ 475.6 billion, equivalent to 11.8 months of import, as on March 27, 2020 – an increase of US$ 62.7 billion over the level at end-March 2019.

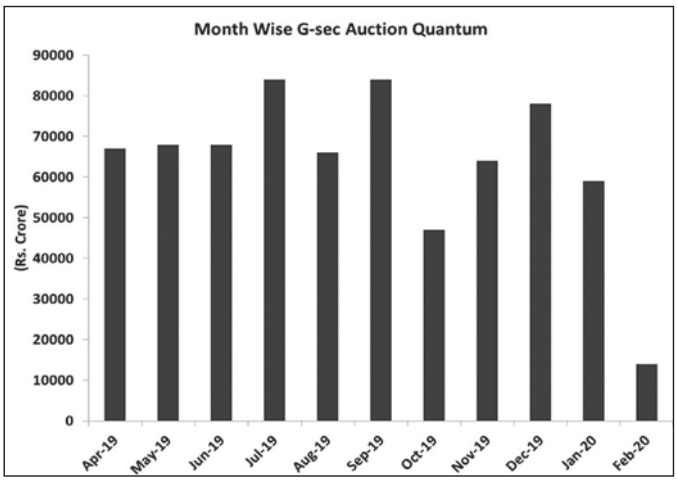
Fiscal Deficit

During FY 2019-20, the fiscal position of the central government deteriorated considerably mainly due to a decline in gross revenue under corporation tax, on account of mid-year cut in tax rates to give a boost to the business investment cycle. Under the FRBM Act, which can be invoked under specific conditions, the Centre's Gross Fiscal Deficit (GFD) was revised up to 3.8 per cent of GDP for FY 2019-20 (RE) from the budgeted 3.3 per cent, due to a shortfall in tax revenue and disinvestment proceeds. However, the Fiscal Deficit widened further settling at 4.6 per cent of GDP as economic activity came to a halt due to Covid induced lockdown measures which severely dented economic growth in the last quarter of the year. In absolute terms, the government's fiscal deficit settled at Rs. 9.36 lakh crore, or 122 per cent of its revised target of Rs. 7.67 lakh crore.

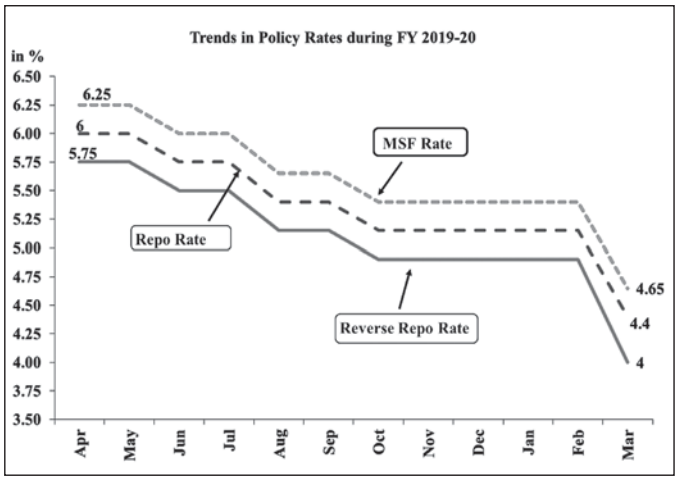


Government Borrowings

The gross borrowing of the Centre during the FY 2019-20 was significantly higher at Rs. 7,10,000 crore as compared to Rs. 5,71,000 crore in FY 2018-19. Despite the slippage in the Fiscal Deficit, government kept the borrowing program unchanged for the year from the budgeted borrowings. In addition to this, state governments also raised funds to the tune of Rs. 6,34,521 crore through market borrowings as against Rs. 4,78,323 crore during the previous year. As part of active debt consolidation, 13 tranches of switch operations worth Rs. 1,64,232 crore were carried out during the year with the objective of managing redemption and enhancing liquidity of government securities. This partly contributed to the weighted average maturity of outstanding stock of G-secs increasing to 10.54 years as on March 31, 2020 from 10.02 years as on September 30, 2019. Furthermore, cash management bills worth Rs. 3,00,000 crore were also issued during FY 2019-20 to tide over frequent recourse to ways and means advances/overdrafts in the face of negative cash balances with the Reserve Bank.



Monetary Policy & Liquidity Management



FY 2019-20 witnessed record monetary easing as growth faltered significantly, first owing to collapse in consumer demand and investment activity in the first half of the year and later owing to the Covid19 crisis due to which economic activity came to a complete halt. During the year, RBI slashed the repo rate by 185 bps and the reverse repo rate by 200 bps to 4.40 per cent and 4.00 per cent respectively. During H2 of FY 2019-20, liquidity management operations by the RBI were conducted in line with the revised liquidity management framework announced on February 6, 2020 and guided by the need to ease liquidity constraints in the banking system and financial markets on account of COVID19 related stress. During the year, systemic liquidity increased mainly on account of (i) the Reserve Bank's forex operations; and (ii) higher spending by the government, including recourse to Ways & Means Advances (WMA) and OD. In order to mop up the increasing surplus liquidity, the Reserve Bank conducted variable rate reverse repo auctions of various tenors. Moreover, in order to improve monetary transmission and address the Covid induced pressure on the financial system, RBI conducted Long Term Repo Operations (LTROs) and Targeted LTROs which cumulatively infused liquidity aggregating Rs. 2,75,000 crore. Infact RBI's liquidity infusing measures accounted for almost Rs. 8 lakh crore of the Rs. 20 lakh crore fiscal support package announced by the government. In view of persistent excess liquidity, the existing Liquidity Adjustment Facility (LAF) corridor was widened asymmetrically to 65 bps from 50 bps. This was done to dis-incentivize banks from passively parking deposit funds with the RBI and instead deploy for on-lending to productive sectors of the economy. Reflecting excessive parking of funds by banks, the average absorption through the LAF window stood at over Rs. 3 lakh crore in the H2 as against Rs. 1.12 lakh crore in H1 FY 2019-20. Going forward, RBI is expected to continue to ensure availability of durable liquidity in the system as the Indian economy is likely to go through a prolonged period of economic pain.

Treasury Bill Market

During FY 2019-20, the borrowings through T-Bills (Including CMBs) stood at Rs. 11,97,000 crore as against Rs. 9,40,000 crore in FY 2018-19. Yields on treasury bills eased significantly owing to massive levels of surplus liquidity in the system and successive reduction in policy rates which kept short term rates low. The cut-off yield on 91 DTB eased from 6.23 per cent in the beginning of the year to 4.36 per cent in the end, cut-off yield on 182 DTB declined from 6.29 per cent in beginning of the year to 4.97 per cent in the end and the cut-off yield on 364 DTB declined from 6.31 per cent in the beginning of the year to 4.94 per cent in the end. Weighted average implicit yield at cut-off price on 91 DTB, 182 DTB and 364 DTB during FY 2019-20 stood at 5.43 per cent, 5.59 per cent & 5.64 per cent as against 6.60 per cent, 6.83 per cent & 7.02 per cent in the previous year respectively.

Government Dated Securities

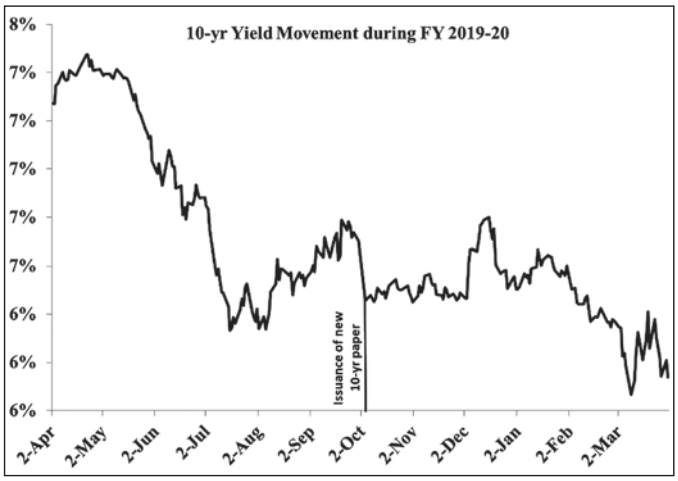
Primary Market

During FY 2019-20, the gross borrowings through dated issuances stood at Rs. 7,10,000 crore, while net borrowings stood at Rs. 4,73,122 crore. The weighted average maturity of issuances stood higher at 16.13 years during FY 2019-20 vis-a-vis 14.50 years in the previous year. The weighted average yield of dated securities issued during FY 2019-20 stood at 6.85 per cent as against 7.78 per cent in the previous fiscal.

Secondary Market

The domestic bond markets witnessed a period of boom during FY 2019-20 with the 10 year yield easing by almost 140 bps from year's highs. The fall in yields was triggered by successive rate cuts by RBI in its Monetary Policy

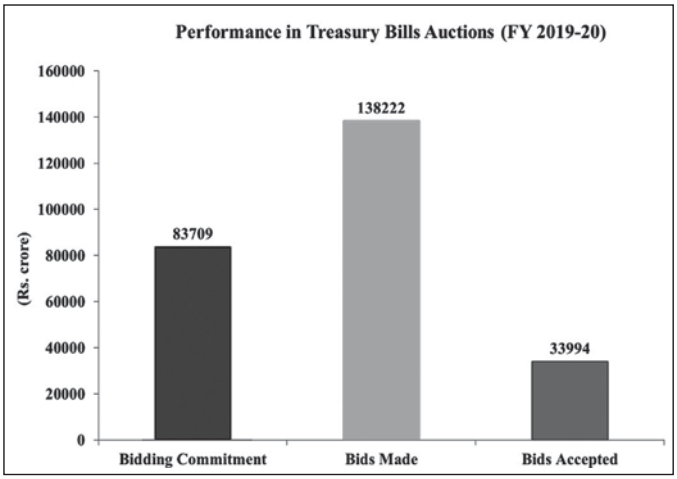
Meet and persistent growth concerns. During the year RBI slashed the Repo rate cumulatively by 185 bps as growth impulses weakened substantially due to declining private investment and overall consumer demand. During the year, real GDP growth declined from 6.1 per cent in FY 2018-19 to 4.2 per cent (provisional) in FY 2019-20. On a quarterly basis, the economy decelerated for eight consecutive periods, with Q4 growth dipping below 5 per cent mark at 3.1 per cent. The decline in yields was sharp in the first quarter with 10-yr yield moving almost uni-directionally to close the quarter at 6.88 per cent after peaking at 7.47 per cent in early April. In the second and third quarter of the year, market traded with a cautious undertone as weak government finances weighed on sentiments. Rise in CPI inflation to above RBI's target of 4 per cent plus/minus 2 per cent, led RBI to give a pause in the rate cut cycle. RBI, after slashing repo rate by 110 bps to 5.15 per cent during the year, maintained status quo in the December policy meet, which led to a 10 yr yield rising to 6.80 per cent. During December to January 2020, RBI conducted special Open Market Operations (OMO) auctions to the tune of Rs. 40,000 crore wherein it swapped medium to long dated securities with short dated securities. The step was seen as RBI's effort to flatten the yield curve and improve the monetary transmission in the economy. G-sec market was enthused because of RBI's action and the effect on the term structure was seen immediately. There was some caution ahead of announcement of the Union Budget for FY 2020-21, however the same was quelled after government abstained from announcing any additional borrowings for the year. At the end of the financial year, RBI took some unprecedented measures in order to mitigate the risks to the economy from the Covid crisis. RBI slashed the repo rate by 75 bps, Reverse Repo rate by 90 bps & CRR by 1 per cent besides announcing a host of regulatory forbearance & massive liquidity infusion measures in order to avoid major setbacks in the financial system and freezing of credit flow. The bond markets reacted positively to these steps and the 10-yr closed the year at 6.14 per cent.



COMPANY PERFORMANCE

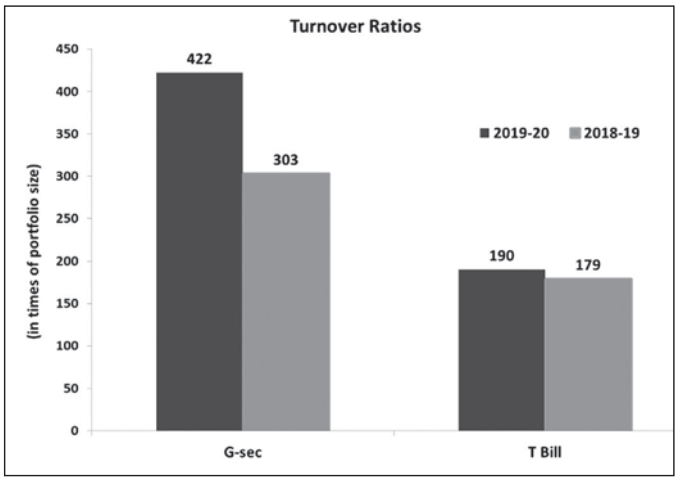
Primary Market

In primary market, the Company continued to comply with all the regulatory requirements of bidding under Minimum Underwriting Commitments (MUC) and Additional Competitive Underwriting (ACU) for Primary Dealers. During the year, the Company earned an underwriting commission of Rs. 1.46 crore as against previous year's commission of Rs. 5.50 crore. In treasury bill auctions, during the first half, GOI raised Rs. 4,68,000 crore as against Rs. 4,29,000 crore in the corresponding period of last fiscal. In the second half, GOI raised Rs. 4,29,000 crore through T-bills as against Rs. 3,21,000 crore raised in corresponding period of last fiscal. In order to tide over temporary cash flow mismatches, GOI issued CMBs aggregating Rs. 3,00,000 crore in FY 2019-20 as against Rs. 1,90,000 in FY19. Against these issuances of T-bills and CMBs, Company submitted bids aggregating to Rs. 1,38,222 crore against the commitment of Rs. 83,790 crore (being 7 per cent of notified amount). Out of this, bids amounting to Rs. 33,994 crore were accepted. Fulfilling its primary market commitment, Company achieved success ratio of 41.10 per cent and 40.24 per cent in H1 and H2 respectively in FY 2019-20, as against the statutory requirement of 40 per cent.



Secondary Market

During FY 2019-20, total secondary market outright turnover stood at Rs. 7,86,685 crore as against Rs. 4,21,156 crore in FY 2018-19. The Central Government security segment recorded a turnover of Rs. 6,57,626 crore followed by SDLs which registered a turnover of Rs. 52,412 crore. Treasury bills recorded turnover of Rs. 35,402 crore. Company's total turnover ratio (secondary market) stands at 190 times for treasury bills and 422 times for government-dated securities as on March 31, 2020 against the minimum RBI stipulation of 10 times and 5 times respectively.

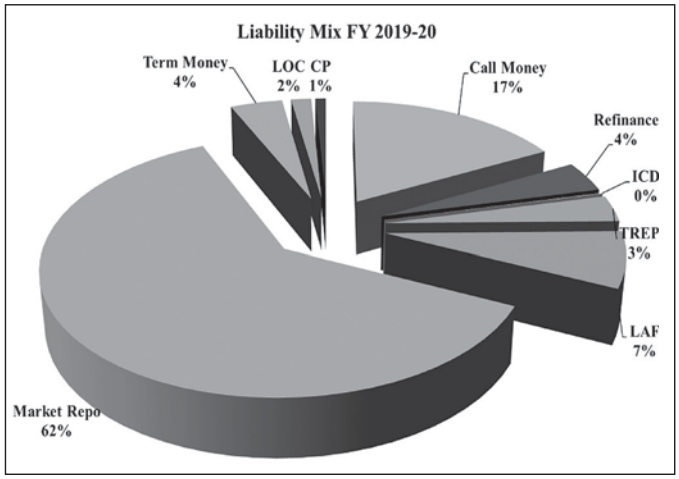


Portfolio Size and Composition

Portfolio size and composition is a function of arbitrage opportunities, tradability and risk appetite. During FY 2019-20, Company expanded its Balance Sheet size considerably and G-sec holding levels were significantly higher compared to the last year. Company's average and maximum holding in Central Dated Securities during FY 2019-20 stood at Rs. 2809.68 crore (Rs. 893.47 crore in FY 2018-19) and Rs. 5146.18 crore (Rs. 2736.48 crore in FY 2018-19). Daily average holding in T-bills during the year stood at Rs. 870.24 crore (Rs. 1833.29 crore in FY 2018-19) whereas the peak holding in T-bills stood at Rs. 2937.94 crore (Rs. 3464.05 crore).

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 borrowings from all sources during FY 2019-20 amounted to Rs. 9807 crore as against Rs. 6305 crore in FY 2018-19. During the year, Company raised funds aggregating Rs. 750 crore through issuance of Commercial Paper for the first time. The average leverage during the year was 10.44 times against 7.40 times in FY 2018-19, while the maximum leverage for the year stood at 12.90 times the NOF. The average cost of funds during the year stood at 5.28 per cent, lower than 6.40 per cent during the last year.



Trading Stance & Financial Performance

During FY 2019-20, market witnessed Indian general election, geopolitical tensions from around the world, corporate tax rate cut, announcement of LTROs, rate cuts by Fed and RBI due to Covid-19 crisis and thus it remained exposed to intermittent bouts of volatility due to domestic developments as well as uncertainty surrounding the global financial markets which impacted the market sentiment and liquidity conditions significantly.

(₹ in Crore)

Particulars	FY 2019-20	FY 2018-19	(%) change
Net Owned Fund	1002.19	885.66	13.25%
Profit Before Tax	249.81	83.02	203%
Profit After Tax	186.35	52.86	254.69%
Capital Adequacy Ratio (%)	32.47	36.58	10.71%
Debt Equity Ratio (%)	11.20	9.27	20.81%

During FY 2019-20, the yield on the benchmark 10-year security decreased by 130 basis points to close the year at 6.14 per cent. Market remained exposed to intermittent bouts of volatility due to domestic developments such as general elections, announcement of LTROs, RBI special OMO auctions as well as uncertainty surrounding the evolution of global financial markets which impacted the market sentiment and liquidity conditions significantly. Geo-political issues remained a cause of concern as it impacted the Crude prices and the on-going Covid-19 crisis situation also added to the fall in the yield.

Despite the challenges and volatilities witnessed in the G-sec market, Company posted healthy results benefitting from strategic recalibrations and renewed focus on core activities. During the year, Company scaled up the level of operations, increasing its Balance Sheet size significantly, strengthened its marketing & retail business segment and also forayed into Debt Capital Market (DCM) Business as arrangers of primary issuances of Corporate Bonds. In the prime ranking league table of arrangers, the company entered into the top ten ranks and it aims to break into the top five ranks in FY 2020-21. Consequently, Company's business in the Corporate Bond segment increased substantially with total turnover doubling to Rs. 53,013 crore in FY 2019-20 from Rs. 24,875 crore in FY 2018-19. Company also increased its presence in the derivative market significantly, implementing effective hedging and trading strategies in the segment. Consequently, Company's profitability surged by 200 per cent during the year with PBT at Rs. 249.81 crore as on March 31, 2020. The two main sources of Company's revenues, i.e trading income and net interest margin rose significantly benefitting from judicious management of trading and borrowing activities. Lower interest rates and surplus liquidity in the system also helped in lowering the borrowing cost of the company which improved the net interest margin. During FY 2019-20 trading income stood at Rs. 111.50 crore (Rs. 9.00 crore in FY 2018-19) and net interest margin stood at Rs. 247.19 crore (Rs. 90.14 crore in FY 2018-19) respectively. The NOF of the company increased to Rs. 1002.19 crore as on March 31, 2020 as against Rs. 885.66 crore as on March 31, 2019. Return on Net-worth for the FY 2019-20 stands at 19.74 per cent as against 6.11 per cent for FY 2018-19.

The company is adequately capitalized with capital adequacy ratio of 32.47 per cent as on March 31, 2020, 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 with a view to have better trading opportunities. Risk management is a critical element of Company's trading business. The Company's mid-office is primarily responsible for formulating and implementing the risk management policies, Value-at-Risk (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. The details regarding employees are given in the Board's Report. Total number of employees of the Company as on March 31, 2020 were 40 (including 2 employees 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 2019-20, 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 Auditors 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

Company's CSR initiatives focus on creating social values by contributing to the field of education, healthcare as well as environmental conservation. Company undertook CSR projects through various implementing agencies and also contributed Rs. 2.75 crore (Rs. 1.75 crore in FY 2019-20 and Rs. 1.00 crore in FY 2020-21) to PM-CARES Fund set up by Government of India for dealing with any kind of emergency or distress situation including the ongoing Covid-19 health crisis.

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 years. Company's NOF as on March 31, 2020 stood at Rs. 1002.19 crore. The Company operates with substantial Capital Adequacy Ratio (CAR) with comparatively low operational cost. CAR stood at 32.47 per cent for the year ended March 31, 2020. 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

In the ongoing Covid-19 crisis situation, yields have already hit rock-bottom and significant easing of yields from here seem limited. Also, RBI has maintained its accommodative stance and expectations of RBI support to the unprecedentedly huge government borrowing program through OMOs and other measures may keep the market sentiments anchored.

On the other hand, GDP is unlikely to pick up easily and return to its pre Covid levels any time soon, even though the lockdown is being lifted in phases as the varied sectors such as manufacturing, etc. will take time to fully operationalize. Secondly, demand may also not pick-up soon in this current scenario and the financial markets may see withdrawal of foreign investors to the advanced economies and thus, this may affect the yields adversely.

The Company proposes to adopt a cautious approach in trading, with swift entry/exit, explore newer products launched in the bond markets for appropriate hedging and trading opportunities and also look for more stable and diverse avenues of revenue to maintain consistency in the returns to the stakeholders.

On behalf of Board of Directors

Date : September 4, 2020
Place: New Delhi

Sd/-
(Vikas Goel)
Managing Director & CEO
DIN: 08322541

Sd/-
(Tejendra Mohan Bhasin)
Independent Director
DIN: 03091429

REPORT ON CORPORATE GOVERNANCE

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

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

- **The goal is achieved through:**

  Infusion of best expertise in the Board.

  Consistent monitoring and improvement of the human and physical resources.

  Introducing regular checks, 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, 2020, the Company has seven Directors, consisting of five Non-Executive Directors (out of which four are Independent Directors including a Woman Independent Director) and two Executive Directors.

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, 2020, the composition of the Board was as follows –

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 37 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 in Lakshmi Vilas Bank 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 product groups. Presently, she is director of Bharti Axa Life Insurance Company limited, Bharti Axa General Insurance Company Limited and Brightstar Telecommunications India 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 Commission in the Central Vigilance Commission (CVC) in 2015, Dr. Bhasin served as the Chairman and Managing Director of Indian Bank. Presently, he is director of Centrum Capital Limited, IDBI Intech Limited, SBI Cards and Payment Services Limited, TMB Associates Private Limited.

Sh. V. K. Srivastava (DIN: 07234326), Non- Executive & Non-Independent Director, is Chief General Manager and Group Chief Risk Officer of PNB. He is having experience of around 29 years in risk management, administration, team management operations etc. Presently, he is director in one company Cordex India Private Limited.

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.

Smt. Sunita Gupta* (DIN: 06902258) is the Executive Director and CFO of the Company. She is having vast experience in treasury operations. She served as an Economist in PNB for around 17 years and is having an experience of 21 years in the Company in various senior capacities.

Other information regarding the Board as on March 31, 2020 is given below:

Name of the Director	Category	No. of other Directorships and other Committee Memberships/ Chairmanships[1]			Directorship in other listed entity (Category of Directorship)
		Directorships	Committee Memberships	Committee Chairmanships	
Sh. P. P. Pareek	Non-Executive, Independent	2	1	-	-
Sh. S. K. Kalra	Non-Executive, Independent	1	-	-	Lakshmi Vilas Bank Limited (Independent Director)
Smt. Uma Ajay Relan	Non-Executive, Independent	3	3	-	-
Dr. Tejendra Mohan Bhasin	Non-Executive, Independent	4	1	0	• Centrum Capital Limited (Independent Director) • SBI Cards and Payment Services Limited (Independent Director)
Sh. Vishesh Kumar Srivastava	Non-Executive , Non-Independent	1	0	0	-
Sh. Vikas Goel	Executive, Non-Independent	1	-	-	-
Smt. Sunita Gupta	Executive, Non-Independent	-	-	-	-

1 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, 2020, none of the Directors (except Sh. P. P. Pareek, who holds 1,333 shares of the Company) holds any shares / convertible instruments of the Company.

There are no inter-se relationships between the 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 alongwith 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/governence/1576737306.pdf

**ceased from her position w.e.f September 1, 2020.*

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, ethinic 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. .

	Sh. P. P. Pareek	Sh. S. K. Kalra	Smt. Uma Ajay Relan	Dr. T. M. Bhasin	Sh. V. K. Srivastava	Sh. Vikas Goel	Smt. Sunita Gupta
Business and Management experience	✓	✓	✓	✓	✓	✓	✓
Legal, technology etc.	✓	✓	✓	✓	✓	✓	✓
Risk Management	✓	✓	✓	✓	✓	✓	✓
Strategic Planning	✓	✓	✓	✓	✓	✓	✓
Board service and Governance	✓	✓	✓	✓	✓	✓	✓
HR	✓	✓	✓	✓	✓	✓	✓
Finance	✓	✓	✓	✓	✓	✓	✓
Banking	✓	✓	✓	✓	✓	✓	✓
Capital market	✓	✓	✓	✓	✓	✓	✓
Debt Market	✓	✓	✓	✓	✓	✓	✓

Diversity (gender, ethinic 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 judgement.

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. Further, in terms of notification issued by Ministry of Corporate Affairs, all the Independent Directors of the Company are registered in Independent Director's Databank maintained by Indian Institute of Corporate Affairs. 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.

c. Resignation by Independent Director during FY 2019-20: Dr. Kamal Gupta (DIN: 00038490), whose tenure was upto August 29, 2019 resigned from the directorship of the company w.e.f. June 28, 2019 due to his personal reasons. Dr. Kamal Gupta has confirmed that there were no other material reasons other than those provided above. Necessary declarations have already been submitted with the Stock Exchanges in this regard. Your Board places on record its appreciation for the significant contribution made by him during his tenure as director of the Company.

3. Meetings of the Board

During the year 2019-20, five Board meetings were held on May 27, 2019, June 29, 2019, August 5, 2019, November 6, 2019 and February 11, 2020. The gap between any two meetings never 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 August 28, 2019
Sh. Sunil Mehta[1]	3	Yes
Dr. Kamal Gupta[2]	1	N.A.
Sh. P. P. Pareek	5	Yes
Sh. S. K. Kalra	5	Yes
Smt. Uma Ajay Relan[3]	4	No
Dr. T. M. Bhasin[4]	2	Yes
Sh. V. K. Srivastava[5]	3	Yes
Sh. Vikas Goel	5	Yes
Smt. Sunita Gupta	5	Yes

1 Upon completion of his superannuation from Punjab National Bank, he resigned from Chairmanship & Directorship of the company w.e.f. September 30, 2019.

2 Resigned as an Independent Director w.e.f. June 28, 2019.

3 Appointed as an Independent Director w.e.f. June 28, 2019.

4 Appointed as an Independent Director w.e.f. July 30, 2019.

5 Appointed as a Non-Executive and Non-Independent Director w.e.f. July 30, 2019.

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 Audit Committee inter-alia oversees the financial reporting besides reviewing the quarterly, half-yearly, annual financial results of the Company, the Company's financial and risk management policies and the internal control systems, internal audit systems, etc. through discussions with internal/external auditors and management.

During the year 2019-20, six meetings of the Committee were held on May 27, 2019, June 29, 2019, August 5, 2019, November 6, 2019, January 18, 2020 and February 11, 2020. 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	6
Dr. Kamal Gupta[1]	Member	1
Sh. S. K. Kalra	Member	6
Smt. Uma Ajay Relan[2]	Member	5
Dr. T. M. Bhasin[3]	Member	2

1. Member of the Committee till June 28, 2019.
2. Member of the Committee w.e.f. June 28, 2019.
3. Member of the Committee w.e.f. November 09, 2019.

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 Company has "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 2019-20, three Committee meetings were held on May 27, 2019, June 29, 2019 and February 11, 2020. 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
Dr. Kamal Gupta[1]	Chairman	1
Sh. P. P. Pareek[2]	Chairman	3
Sh. S. K. Kalra	Member	3
Smt. Uma Ajay Relan[3]	Member	2

1. Member & Chairman of the Committee till June 28, 2019.
2. Chairman of the Committee w.e.f. June 28, 2019. Prior to this, he was Member of the Committee.
3. Member of the Committee w.e.f. June 28, 2019.

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

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 Stakeholders' Relationship Committee oversees, inter-alia, redressal of stakeholders' grievances. During the year 2019-20, four meetings of the Committee were held on May 27, 2019, August 5, 2019, November 6, 2019 and January 18, 2020

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
Sh. S. K. Kalra[1]	Chairman	1
Smt. Uma Relan[2]	Chairperson	1
Sh. P. P. Pareek[3]	Chairman	4
Sh. Vikas Goel	Member	4
Smt. Sunita Gupta	Member	4

1. Member & Chairman of the Committee till June 28, 2019.
2. Inducted as Member & Chairperson of the Committee w.e.f. November 09, 2019.
3. His tenure as Chairman of the Committee was for the period from June 28, 2019 till November 08, 2019. Thereafter, he is the member of the Committee.

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 2019-20, the Company had received 7 complaints (mostly in the nature of 'query') from the shareholders/ investors. All the complaints have been redressed to the satisfaction of the complainants.

No shareholder / investor complaint was pending as on March 31, 2020.

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

(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 2019-20, two CSR Committee meetings were held on November 06, 2019 and January 18, 2020. 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[1]	Chairman	1
Sh. P. P. Pareek[2]	Chairman	1
Dr. Kamal Gupta [3]	Member	-
Smt. Uma Ajay Relan[4]	Member	2
Dr. T. M. Bhasin[5]	Member	1
Sh. Vikas Goel	Member	2

1. Member & Chairman of the committee till November 08, 2019.
2. Inducted as Member & Chairman of the Committee w.e.f. November 09, 2019.
3. Member of the Committee till June 28, 2019.
4. Member of the Committee w.e.f. June 28, 2019.
5. Member of the Committee w.e.f. November 09, 2019.

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.

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

(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. During the year 2019- 20, four Risk Management Committee meetings were held on June 7, 2019, August 21, 2019, November 6, 2019 and January 18, 2020. 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	4
Sh. V.K Srivastava[1]	Member	1
Sh. Vikas Goel	Member	4
Smt. Sunita Gupta	Member	4

1. Member of the Committee w.e.f. November 09, 2019.

(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 2019-20, twenty six meetings of the said committee were held on 12th and 25th April, 2019, 9th and 23rd May, 2019, 6th and 20th June, 2019, 4th and 18th July, 2019, 1st , 14th and 28th August, 2019, 11th and 25th September, 2019, 9th and 23rd October, 2019, 6th and 20th November, 2019, 4th & 18th December, 2019, 1st, 15th and 28th January, 2020, 11th and 25th February, 2020, 9th and 20th March, 2020.

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. Kamal Gupta[1]	Chairman	6
Sh. S. K. Kalra[2]	Chairman	25
Dr. T. M. Bhasin[3]	Chairman	10
Smt. Uma Ajay Relan[4]	Member	18
Sh. Vikas Goel	Member	26

1. Member and Chairman of the Committee till June 28, 2019.
2. Chairman of the Committee from June 28, 2019 to November 08, 2019. Thereafter, he continued as member of the Committee.
3. Inducted as Member and Chairman of the Committee w.e.f. 09.11.2019.
4. Member of the Committee w.e.f. June 28, 2019.

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

II Directors' Remuneration

The Company's Remuneration Policy for Directors, Key Managerial Personnel and other employees is annexed as Annexure A to the Board's Report. 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 2019-20 are as under:

(₹ in lacs)

	Sh. Vikas Goel, Managing Director & CEO	**Smt. Sunita Gupta Executive Director & CFO**
Salary	88.60	49.50
Perquisites and allowances	2.22	1.42
Company's Contribution to PF	5.47	3.01
Performance Linked Incentive	4.18*	9.28

* same is for the period from January 14, 2019 to March 31, 2019.

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 2019-20, variable pay of ₹ 4.18 lacs and ₹ 9.28 lacs (Prev. Year: ₹ Nil and ₹ 6.56 lacs) was paid to Sh. Vikas Goel and Smt. Sunita Gupta, respectively. During 2019-20, Sh. S. K. Dubey, Ex-Managing Director, was also paid an amount of ₹ 9.19 lacs towards Performance Linked Variable Pay (PLVP) pertaining to the period from April 1, 2018 to January 31, 2019.

Apart from above, 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.

The tenure of office of Managing Director & CEO is upto January 31, 2022. The tenure of Executive Director & CFO was upto August 31, 2020.

Service conditions of both these Directors are governed by the service regulations of the Company. As per Regulation 15(iii) of the service regulations, their 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 is as under -

1. 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.
2. 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.
3. 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/- and the honorarium paid to Independent Directors for holding interviews, if any, shall be ₹ 10000/-.

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 2019-20 are as under:

(₹ in lacs)

Names of the Director	Sitting Fees**
Sh. Sunil Mehta*	1.50
Dr. Kamal Gupta	1.55
Sh. P. P. Pareek	5.70
Sh. S. K. Kalra	9.50
Smt. Uma Ajay Relan	6.00
Dr. Tejendra Mohan Bhasin	2.80
Sh. Vishesh Kumar Srivastava*	1.45

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

** Applicable service tax/GST paid extra.

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). All the Board Members and Senior Management Personnel have affirmed the compliance of the said Code during the year 2019-20. A declaration of Managing Director to this effect is also appended to this report.

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.

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
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
2016-17	Punjab National Bank Auditorium, Central Staff College, 8, Under Hill Road, Civil Lines, Delhi -110054	September 16, 2017 at 1100 hrs

Two special resolutions were passed in the last AGM held on August 28, 2019 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. During the year 2019-20, no special resolution was passed through postal ballot.

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. The voting results were announced 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 2019-20, the Company did not entered 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/governence/1554113744.pdf Details of all related party 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 employee / director 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 2019-20 : Nil

ii. Number of complaints disposed of during FY 2019-20 : Nil

iii. Number of complaints pending as on end of the FY 2019-20: 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.

g) Total fees paid to Statutory Auditors of the Company: During 2019-20, a fee of Rs. 40.50 lacs plus GST thereon (totaling to Rs. 47.79 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.

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

XI General Shareholder Information

Annual General Meeting

Date and time	:	September 30, 2020 at 10:30 a.m.
Venue	:	Annual General Meeting through Video Conferencing/ Other Audio Visual Means (VC/OAVM facility)
Financial Year	:	April 1, 2019 to March 31, 2020
Record Date	:	September 05, 2020
Dividend Payment Date	:	Within 30 days of declaration in AGM, subject to resumption of postal services.

2. **Listing on Stock Exchange** : Listed in September, 2000
BSE Ltd., Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai – 400 001.

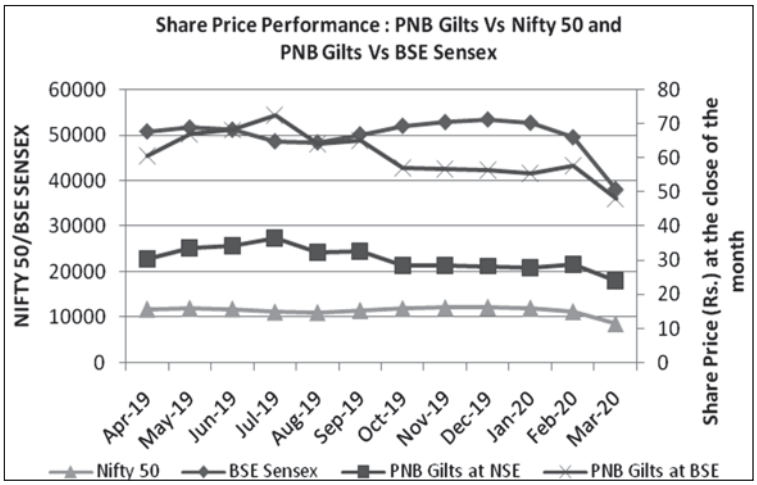
National Stock Exchange of India Ltd.
Exchange Plaza, 5th Floor, Plot No. C/1, G-Block,
Bandra Kurla Complex, Bandra (E), Mumbai - 400 051.

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 2019-20 on the National Stock Exchange of India Ltd. and BSE Ltd. is given as under:

(₹)

	NSE		BSE	
Month	**High**	**Low**	**High**	**Low**
Apr-19	33.10	29.75	33.90	30.00
May-19	34.70	28.70	34.90	28.15
Jun-19	36.00	33.05	36.05	32.85
Jul-19	39.60	33.65	39.50	33.70
Aug-19	39.45	31.10	39.40	30.40
Sep-19	36.50	31.80	36.50	31.65
Oct-19	33.40	26.75	34.00	25.90
Nov-19	30.40	27.50	30.40	27.55
Dec-19	33.45	27.60	33.00	27.65
Jan-20	29.90	27.65	29.75	27.65
Feb-20	32.75	27.00	32.20	27.10
Mar-20	31.40	20.30	31.30	21.50



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 impacton equity:** Not applicable.

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, 2020

No. of equity shares held	No. of Shareholders	% of Shareholders	No. of shares held	% of Shareholding
Upto 500	30605	74.65	4801074	2.67
501-1000	4981	12.15	4020354	2.23
1001-2000	2566	6.26	3955551	2.20
2001-3000	851	2.08	2218900	1.23
3001-4000	408	0.99	1486717	0.83
4001-5000	405	0.99	1920470	1.07
5001-10000	641	1.56	4812301	2.67
10001 and above	541	1.32	156794767	87.10
Total	**40998**	**100.00**	**180010134**	**100.00**

• Shareholding pattern as on March 31, 2020

Particulars	No. of shares held	% of Shareholding
Promoter (PNB)	133333333	74.07
Financial Institutions, Other Banks, Mutual Funds/UTI and Insurance Companies	481026	0.27
Bodies Corporate, Trust & Foundations and NBFCs	5896494	3.28
Indian Public and Directors	38380997	21.32
NRIs and FPIs	1788050	0.99
Investor Education and Protection Fund Authority	130234	0.07
Total	**180010134**	**100.00**

• 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. At present (as on March 31, 2020) 99.77 per cent of the shareholding is held 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. Further, sale proceeds of fractional entitlements arising out of bonus issue made in 2013, remaining unclaimed for 7 years, will also be transferred by the Company to IEPF.

The details of unclaimed dividend as on March 31, 2020 are as follows:

Financial Year	Amt of dividend (₹ Lacs)	Unclaimed Dividend as on 31.3.2020 (₹ Lacs)	Unclaimed dividend Percentage	Last date for making claim*	Last date for making transfer to IEPF
2012-13 (Final Dividend)	1350.08	5.18	0.38	23rd Jul 2020	22nd Aug 2020
2013-14 (Final Dividend)	1620.09	6.86	0.42	1st Oct 2021	31st Oct 2021
2014-15 (Final Dividend)	2700.15	12.02	0.45	20th Oct 2022	19th Nov 2022
2015-16 (Final Dividend)	1980.11	9.01	0.46	19th Oct 2023	18th Nov 2023
2016-17 (Final Dividend)	4500.25	23.61	0.52	16th Oct 2024	15th Nov 2024
2017-18 (Final Dividend)	1800.10	9.40	0.52	15th Oct 2025	14th Nov 2025
2018-19 (Final Dividend)	2520.14	10.54	0.42	29th Sep 2026	29th Oct, 2026

In Pursuance of above Provisions, the Company has already transferred unclaimed final Dividend 2012 – 13 amount of Rs. 5. 18 Lacs to IEPF in August, 2020.

The details of sale proceeds of fractional entitlements, arising out of bonus issue made in 2013, as on March 31, 2020 are as follows:

	Date of Payment	Total Fractional Entitlement (₹ Lacs)	Unclaimed Fractional Entitlement as on 31.03.2020 (₹ Lacs)	Last date for making claim*	Last date for making transfer to IEPF
Sale proceeds of fractional entitlements, arising out of bonus issue	10th Sept 2013	1.65	0.32	9th Sep 2020	10th Oct 2020

*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).

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 2019-20, the company had transferred 31443 shares to IEPF Authority. The shareholders whose dividend/ shares as 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 were due for transfer in FY 2020-21, the Company had 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 shares have now been transferred to IEPF authority following statutory provisions.

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 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. The Company is presently, not having a regular Chairman of the Board.

2. Shareholder Rights

The financial results are available on the website of the Company (www.pnbgilts.com). Further, the results had also been published in Financial Express and Jansatta or Business Standard - English and Business Standard - Hindi.

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 address**

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

On behalf of Board of Directors

Date : September 4, 2020
Place: New Delhi

Sd/-
(Vikas Goel)
Managing Director & CEO
DIN: 08322541

Sd/-
(Tejendra Mohan Bhasin)
Independent Director
DIN: 03091429

DECLARATION

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 2019-20.

For and on behalf of Board of Directors



Dated : September 02, 2020
Place : New Delhi

(Vikas Goel)
Managing Director & CEO
DIN: 08322541

PRACTICING COMPANY SECRETARIES' CERTIFICATE ON CORPORATE GOVERNANCE

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, 2020, as stipulated in Regulations 17 to 27 and 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, 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, 2020.

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

Sd/-
(Arpita Saxena)
Partner
Mem. No : A23822: CP No.: 11962
UDIN : A023822B000541009

Date: July 31, 2020
Place: Ghaziabad

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	2019 – 20
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 (Reserve Bank of India). Acting as arranger to privately placed debt securities and non-convertible preference shares. b) Trading in Government Securities, Treasury Bills, Money Market Instruments, and Non SLR in secondary Market. c) 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
	ii. 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)	₹ 424036 crore* *(of 2019-20)*
3	Total profit after taxes (INR)	₹ 18,635.46 lacs *(of 2019-20)*
4	Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)	₹ 237.99 lacs. This is detailed in the Annual Report of CSR Activities, Annexure B to the Board's Report.
5	List the activities in which expenditure in 4 above has been incurred.	Please refer Annexure – B to the Board's Report.

**It 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?	https://www.pnbgilts.com/data/governence/1599216408.pdf								
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?	This being first year of applicability, the Company has not carried out a separate independent audit of working of this policy. But the internal audit function of the Company periodically looks at the implementation of the policy.								

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?	This is Company's first business responsibility report and will be published as part of the Annual Report. The same can be accessed at Company's website www.pnbgilts.com

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	For details on investor complaints, refer to "Stakeholders' Relationship Committee" section of Corporate Governance Report in the Annual Report. With regard to Client complaints, the company has not received any complaint during the year 2019-20. 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.

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		40
2	Please indicate the total number of employees hired on temporary/ contractual/ casual basis		-
3	Please indicate the Number of permanent women employees		15
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. As on 31.03.2020, one differently abled person has voluntarily declared the status.
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 2019-20.
8	What percentage of your under mentioned employees were given safety and skill up-gradation training in the last year?		
	a)	Permanent Employees	58% (23 Employees)
	b)	Permanent Women Employees	38% (15 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 cancer care, promotion of education etc.

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?	For details on investor complaints, refer to "Stakeholders' Relationship Committee" section of Corporate Governance Report in the Annual Report. With regard to Client complaints, the company has not received any complaint during the year 2019-20. 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.

Principle 6:

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

S.No	Particulars	Details
1	Does the policy related to Principle 6 cover only the Company or extends to the Group/Joint Ventures/Suppliers/ Contractors /NGOs/others	The Company has a dedicated CSR Policy which serves as the guideline for taking initiatives for protecting and restoring environment. This 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 uses 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. All 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 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. 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	The progress on the Company's CSR initiatives is periodically reviewed by the CSR Committee and the Board of Directors. As this was first Financial Year where PNB Gilts had started to explore its CSR avenues with help of some external Agencies so 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 Annexure B 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)	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. However, the Company provides updates/statements in accordance with RBI guidelines to all its CSGL account holders. The Company does not sell any product, hence it is not applicable. However, the Company complies with all regulatory requirements relating to its business.
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

Date : September 4, 2020
Place: New Delhi

Sd/-
(Vikas Goel)
Managing Director & CEO
DIN: 08322541

Sd/-
(Tejendra Mohan Bhasin)
Independent Director
DIN: 03091429

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 CIN: L74899DL1996PLC077120 and 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 Director Identification Number (DIN) status at the portal www.mca.gov.in, as considered necessary and explanations furnished to us by the Company & its directors, we hereby certify that as on 31st march 2020, none of the Directors on the Board of the Company, as stated below, 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
1.	Mr. Prem Prakash Pareek	00615296	10/02/2009
2.	Mr. Satish Kumar Kalra	01952165	15/09/2018
3.	Ms. Uma Ajay Relan	07087902	28/06/2019
4.	Dr. Tejendra Mohan Bhasin	03091429	30/07/2019
5.	Mr. Vishesh Kumar Srivastava	07234326	30/07/2019
6.	Mr. Vikas Goel	08322541	01/02/2019
7.	Ms. Sunita Gupta	06902258	26/06/2014

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.)
FCS No.: 4123
CP No.:6646
UDIN: F004123B000331032

Place : New Delhi
Date : 10.06.2020

FINANCIAL REVIEW

INDEPENDENT AUDITOR'S REPORT

To

The Members of PNB Gilts Ltd,
Report on the Audit of the Ind AS Financial Statements

Opinion

We have audited the accompanying financial statements of PNB Gilts Ltd. ("the Company"), which comprise the Balance Sheet as at 31st March 2020, the Statement of Profit and Loss, 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").

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, 2020, 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 standalone 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 standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone 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	As described in Note 11 D to the standalone financial statements, the Company has adopted Modified Retrospective approach of Ind AS 116 Leases (Ind AS 116) in the current year. The application of this accounting standard is complex and is an area of focus in our audit since the Company has unexpired leases with different contractual terms. As per the Company, Ind AS 116 do not apply to expired leases. Ind AS 116 introduces a new lease accounting model, wherein unexpired lessees are required to recognise a right-of-use (ROU) asset and a lease liability arising from a lease on the balance sheet. The lease liabilities are initially measured by discounting future lease payments during the unexpired lease term as per the contract/ arrangement. Adoption of the standard involves significant judgments and estimates including, determination of the discount rates and the lease term.	Our audit procedures on adoption of Ind AS 116 include: • Assessed and tested processes and controls in respect of the lease accounting standard (Ind AS 116); • Assessed the Company's evaluation on the identification of leases based on the contractual agreements on unexpired leases ; • Involved our specialists to evaluate the reasonableness of the discount rates applied in determining the unexpired lease liabilities; • We performed the following procedures: ♦ assessed the key terms and conditions of each lease with the underlying lease contracts; and ♦ evaluated computation of lease liabilities and challenged the key estimates such as, discount rates and the lease term.

	Refer Note 11D to the standalone financial statements.	• Assessed and tested, the Company's presentation and disclosures relating to Ind AS 116 including disclosures, which is duly supported by the Independent calculation and opinion of M/s Lodha & Co., the Internal. Auditors of the company.
	Evaluation of uncertain income tax positions: The Company has material uncertain income tax positions including matters under dispute which involves significant judgment to determine the possible outcome of these disputes. Refer Note 37 to the Financial Statements.	Principal Audit Procedures: 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 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.

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 standalone 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 standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone 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 standalone 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 standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

  Materiality is the magnitude of misstatements in the standalone 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 standalone 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:

a. 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.

b. 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.

c. 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.

d. In our opinion, the aforesaid standalone financial statements comply with the Ind AS specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

e. On the basis of the written representations received from the directors as on March 31, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2020 from being appointed as a director in terms of Section 164 (2) of the Act.

f. 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”.

g. 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.

h. 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:

   i. 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. Kanti Kumar Gupta)
Partner
Membership No. 071615
UDIN: 20071615AAAAAO6408

Date : June 4, 2020
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, 2020 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 judgement, 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-

(1) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

(2) 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

(3) 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, 2020, 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. Kanti Kumar Gupta
Partner
Membership No. 071615
UDIN: 20071615AAAAAO6408

Date : June 4, 2020
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, one of its staff members has conducted physical verification of its fixed assets 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 18 flats as immovable properties and 4 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.

(v) 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.

(vi) 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. However, no amount of interest payable on such disputed demand and penalties, if any, has been shown as contingent liabilities in note no. 37. The details of which are given below:

(₹ in lacs)

Assessment Year	Section under which demand raised	Amount provided in the books and not paid	Amount not provided for and treated as contingent liability	Forum where dispute
2006-07	220(2)	11.44	-	ITAT
2007-08	220(2)	0.01	-	Assessing Officer
2007-08	115WE (1)	-	1.33	Assessing Officer
2008-09	115WE (1)	-	0.13	Assessing Officer
2008-09	143(3)	-	1.78	Assessing Officer
2010-11	143(3)	5.14	-	Assessing Officer
2011-12	154	-	3.21	Assessing Officer
2012-13	143(3)	13.78	342.80	ITAT
2013-14	250	14.74	-	ITAT
2014-15	250	9.02	201.57	ITAT
2014-15	271(1)(c)	-	7.12	CIT (Appeals)
2016-17	143(3)	7.97	123.83	CIT (Appeals)
2017-18	143(3)	8.65	180.63	CIT (Appeals)
2019-20	143(1)	-	252.83	CPC
	Total	**70.75**	**1,115.23**	

(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)

Sd/-
(CA. Kanti Kumar Gupta)
Partner
Membership No. 071615
UDIN: 20071615AAAAAO6408

Date : June 4, 2020
Place : New Delhi

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 2019-20 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.

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

Sd/-
(CA. Kanti Kumar Gupta)
Partner
Membership No. 071615
UDIN: 20071615AAAAAO6408

Date : June 4, 2020
Place : New Delhi

Non Banking Financial Companies Auditor's Report for the Year Ended 31.03.2020

To
The Board of Directors
PNB Gilts Ltd.
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, 2020.

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 20, 2019 and the Company has not accepted any public deposits during the year ended March 31, 2020.

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)

Sd/-
(CA. Kanti Kumar Gupta)
Partner
Membership No. 071615
UDIN: 20071615AAAAAO6408

Date : June 4, 2020
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 2020

The preparation of financial statements of PNB Gilts Limited for the year ended 31 March 2020 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 Audit Report dated 4 June 2020.

I, on 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 2020 under section 1436)(a) of the Act. This supplementary audit has been carried out independently without access to the working papers of the statutory auditor and is limited primarily to inquiries of the statutory auditor and company personnel and a selective examination of some of the accounting records.

On the basis of my supplementary audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to statutory auditor's report under section 143(6)(b) of the Act.

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



(C. Nedunchezhian)
Principal Director of Commercial Audit &
Principal Director of Audit
(Industry & Corporate Affairs)
New Delhi

Place: New Delhi
Date: 03 August, 2020

Balance Sheet as at 31st March, 2020

(₹ in lacs)

	Notes	As at 31 March 2020	As at 31 March 2019
ASSETS			
Financial assets			
Cash and cash equivalents	3	74.40	20.52
Bank balance other than above	4	564.94	10,559.88
Derivative financial instruments	5	97,667.49	37,467.43
Loans	6	7,744.85	5,257.34
Investments	7	1,296,451.40	881,771.57
Other financial assets	8	22,537.16	16,341.40
		1,425,040.24	**951,418.14**
Non- financial assets			
Current tax assets (net)	9	327.53	306.59
Deferred tax assets (net)	10	-	97.42
Investment property	11A	27.04	28.41
Property, plant and equipment	11B	272.24	228.79
Other intangible assets	11C	13.17	29.19
Right of Use asset	11D	60.94	-
Other non-financial assets	12	88.90	95.48
		789.82	**785.88**
	TOTAL	**1,425,830.06**	**952,204.03**
LIABILITIES AND EQUITY			
LIABILITIES			
Financial liabilities			
Derivative financial instruments	5	102,683.35	38,721.80
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		110.31	72.44
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	-
Borrowings (other than debt securities)	14(b)	1,167,114.29	823,391.94

(₹ in lacs)

	Notes	As at 31 March 2020	As at 31 March 2019
Lease Liability		63.81	-
Other financial liabilities	15	539.96	809.83
		1,319,831.47	**862,996.01**
Non financial liabilities			
Current tax liabilities (net)	16	114.46	69.18
Provisions	17	717.24	347.61
Deferred tax liabilities (net)	10	888.21	-
Other non-financial liabilities	18	25.61	24.01
		1,745.52	**440.80**
Equity			
Equity share capital	19	18,001.01	18,001.01
Other equity	20	86,252.07	70,766.21
		104,253.08	**88,767.22**
	TOTAL	**1,425,830.06**	**952,204.03**

Significant accounting policies and notes to accounts 1 to 56 are an integral part of these financial statements.

For and on behalf of the Board

Sd/-	Sd/-	Sd/-	Sd/-
(Vishesh Kumar Srivastava)	**(Vikas Goel)**	**(Sunita Gupta)**	**(Monika Kochar)**
Director	Managing Director & CEO	Executive Director & CFO	Company Secretary
DIN: 07234326	DIN: 08322541	DIN: 06902258	Membership No. F6514

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

Sd/-
(CA. Kanti Kumar Gupta)
Partner
Membership No. 071615

Date : June 04, 2020
Place : New Delhi
Regd Off : 5, Sansad Marg, New Delhi – 110001

Statement of Profit and Loss for the year ended 31st March, 2020

(₹ in lacs)

	Notes	Year ended 31 March 2020	Year ended 31 March 2019
Revenue from operations			
Interest income	21	76,645.56	49,357.78
Dividend income		2.72	2.26
Rental income	22	11.00	4.20
Net gain (Realised & Unrealised)	23	11,149.96	900.42
Fees and commission income	24	415.22	514.76
Total revenue from operations		**88,224.45**	**50,779.42**
Other income	25	35.42	21.92
Total income		**88,259.87**	**50,801.34**
Expenses			
Finance costs	26	51,925.90	40,343.67
Fees and commission expense	27	1,063.20	535.16
Employees benefit expense	28	1,149.88	714.04
Other expenses	29	873.93	864.05
Depreciation, amortization and impairment	11A,B,C,D	144.81	42.36
		-	
Total expenses		**55,157.72**	**42,499.28**
Profit/(loss) before exceptional items and tax		**33,102.15**	**8,302.07**
Exceptional items	30	(8,121.58)	-
Profit/(loss) before tax		**24,980.57**	**8,302.07**
Tax expense/(credit):			
(1) Current tax		5,313.99	1,644.29
(2) Earlier year taxes		8.75	80.55
(3) Deferred tax		1,022.37	1,291.45
Total Tax Expenses		**6,345.11**	**3,016.29**
Profit for the year		**18,635.46**	**5,285.78**

(₹ in lacs)

	Notes	Year ended 31 March 2020	Year ended 31 March 2019
Other comprehensive income			
(i) Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plan		(153.93)	(85.21)
(ii) Income tax relating to items that will not be reclassified to profit or loss		38.74	29.77
Other comprehensive income		**(115.19)**	**(55.43)**
Total comprehensive income for the year (comprising profit/ (loss) and other comprehensive income for the year)		**18,520.27**	**5,230.35**
Earnings per equity share (for continuing operations)	31		
Basic (Rs.)		10.35	2.94
Diluted (Rs.)		10.35	2.94

Significant accounting policies and notes to accounts 1 to 56 are an integral part of these financial statements.

For and on behalf of the Board

Sd/-	Sd/-	Sd/-	Sd/-
(Vishesh Kumar Srivastava)	**(Vikas Goel)**	**(Sunita Gupta)**	**(Monika Kochar)**
Director	Managing Director & CEO	Executive Director & CFO	Company Secretary
DIN: 07234326	DIN: 08322541	DIN: 06902258	Membership No. F6514

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

Sd/-
(CA. Kanti Kumar Gupta)
Partner
Membership No. 071615

Date : June 04, 2020
Place : New Delhi
Regd Off : 5, Sansad Marg, New Delhi – 110001

Statement of Changes in Equity for the year ended 31st March, 2020

a. Equity share capital

(₹ in lacs)

Particulars	Notes	Amount
As at 31st March, 2018	19	18,001.01
Changes in equity share capital		-
As at 31st March, 2019		18,001.01
Changes in equity share capital		-
As at 31st March, 2020		**18,001.01**

b. Other equity

(₹ in lacs)

Particulars	Reserves and surplus						Total
	Statutory reserve	Securities premium reserve	General reserve	Market fluctuation reserve	Capital reserve	Retained earning	
Balance as at 31st March, 2018	**24,097.54**	**2,501.27**	**9,776.54**	**6,300.00**	**6,320.04**	**18,710.60**	**67,705.99**
Profit for the year	-	-	-	-	-	5,285.78	5,285.78
Other comprehensive income for the year	-	-	-	-	-	(55.43)	(55.43)
Total comprehensive income	**24,097.54**	**2,501.27**	**9,776.54**	**6,300.00**	**6,320.04**	**23,940.95**	**72,936.34**
Transactions with owners in their capacity as owners:							
Dividends (including dividend tax)	-	-	-	-	-	(2,170.13)	(2,170.13)
Transferred from retained earnings	1,057.16	-	-	-	-	-	1,057.16
Transferred to other reserves	-	-	-	-	-	(1,057.16)	(1,057.16)
Balance as at 31st March, 2019	**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
Total comprehensive income	**25,154.70**	**2,501.27**	**9,776.54**	**6,300.00**	**6,320.04**	**39,237.71**	**89,290.26**
Transactions with owners in their capacity as owners:							
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)
Balance as at 31st March, 2020	**28,881.79**	**2,501.27**	**9,776.54**	**6,300.00**	**6,320.04**	**32,472.45**	**86,252.07**

Significant accounting policies and notes to accounts 1 to 56 are an integral part of these financial statements.

For and on behalf of the Board

Sd/-	Sd/-	Sd/-	Sd/-
(Vishesh Kumar Srivastava)	**(Vikas Goel)**	**(Sunita Gupta)**	**(Monika Kochar)**
Director	Managing Director & CEO	Executive Director & CFO	Company Secretary
DIN: 07234326	DIN: 08322541	DIN: 06902258	Membership No. F6514

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

Sd/-
(CA. Kanti Kumar Gupta)
Partner
Membership No. 071615

Date : June 04, 2020
Place : New Delhi
Regd Off : 5, Sansad Marg, New Delhi – 110001

Statement of Cash Flows for the year ended 31st March, 2020

(₹ in lacs)

		Year ended 31 March 2020	Year ended 31 March 2019
Profit before tax		**24,980.57**	**8,302.07**
Adjustments for			
Add:	Depreciation and amortisation expense	144.81	42.36
	Changes in provisions	221.48	20.18
	Loss/(profit) on sale of property, plant and equipment	0.01	0.51
	Interest expense on leased liability	6.83	-
	Interest paid	51,919.07	40,343.67
Less:	Discount and interest received	(76,645.56)	(49,357.78)
	Dividend received	(2.72)	(2.26)
Operating Profit/(loss) before changes in operating activity		**624.51**	**(651.25)**
Cash flow from operating activity			
Add:	Discount and interest received	76,645.56	49,357.78
	Dividend received	2.72	2.26
Less:	Interest expense on leased liability	(6.83)	-
	Interest paid	(51,919.07)	(40,343.67)
Adjustment for changes in operating activity			
	Changes in investments in FDR	9,994.94	-
	Changes in investments at fair value through profit and loss	(410,918.34)	(380,682.22)
	Changes in financial assets and non-financial assets	(8,676.69)	(9,770.65)
	Changes in financial liability and non-financial liabilities	(235.48)	(169.52)
Cash used in operations		**(384,488.69)**	**(382,257.26)**
Less:	Net taxes paid	(5,298.39)	(2,061.64)
(A)	**Net cash used in operating activity**	**(389,787.08)**	**(384,318.90)**
Cash flow from investing activities			
Adjustment for changes in investing activity			
	Sale proceeds of property, plant and equipment	-	0.20
	Purchase of property, plant and equipment	(134.28)	(50.01)
(B)	**Net cash used in investing activity**	**(134.28)**	**(49.81)**
Cash flow from financing activity			
Adjustment for changes in financing activity			
	Changes in borrowings and debt securities	393,042.10	386,526.54
	Lease Accounting Adjustment	(33.75)	-

(₹ in lacs)

		Year ended 31 March 2020	Year ended 31 March 2019
	Dividend distribution including DDT	(3,038.17)	(2,170.12)
	Changes in unclaimed dividends and bonus fractional entitlement	5.06	(3.67)
(C)	**Net cash flow from financing activity**	**389,975.24**	**384,352.75**
Consolidated cash flow during the year (A+B+C)		**53.88**	**(15.96)**
Cash and cash equivalent at the beginning of the year		20.52	36.48
Cash and cash equivalent at the end of the year		**74.40**	**20.52**
Balances with banks			
Balances with Reserve Bank of India		33.44	19.44
Balances with PNB Current Accounts		40.95	1.08
		74.40	**20.52**

Significant accounting policies and notes to accounts 1 to 56 are an integral part of these financial statements.

For and on behalf of the Board

Sd/-	Sd/-	Sd/-	Sd/-
(Vishesh Kumar Srivastava)	**(Vikas Goel)**	**(Sunita Gupta)**	**(Monika Kochar)**
Director	Managing Director & CEO	Executive Director & CFO	Company Secretary
DIN: 07234326	DIN: 08322541	DIN: 06902258	Membership No. F6514

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

Sd/-
(CA. Kanti Kumar Gupta)
Partner
Membership No. 071615

Date : June 04, 2020
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 Companies Act, 1956. The company has been granted the License of NBFC by the Reserve Bank of India and working as a 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 banks 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

Ia. 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 1st April, 2017.

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 sharesand 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.

XVI. 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 31st March, 2020

(₹ in lacs)

Note 3: Cash and cash equivalents	31st March, 2020	31st March, 2019
Balances in current account with:		
- Reserve Bank of India	33.44	19.44
- Scheduled Banks	40.95	1.08
Total	**74.40**	**20.52**

Note 4: Bank balance other than above	31st March, 2020	31st March, 2019
Bank deposits (more than 3 months and upto 12 months)^	488.00	10,488.00
Balance with scheduled banks (earmarked balances)*	76.94	71.88
Total	**564.94**	**10,559.88**
***'Earmarked balances with banks**		
Balance with Scheduled Banks earmarked towards Unclaimed Dividends	76.62	71.56
Balance with Scheduled Banks earmarked towards Unclaimed Bonus	0.32	0.32
Fractional Entitlement Payable		
Total	**76.94**	**71.88**

^ 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.

^ As at 31st March, 2019, 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.

	As at 31st March, 2020			31st March, 2019		
Particulars	**Notional amounts**	**Fair value assets**	**Fair value liabilities**	**Notional amounts**	**Fair value assets**	**Fair value liabilities**
Interest Rate Swaps (Asset)	2,307,500.00	97,667.49	-	1,194,500.00	37,467.43	-
Interest Rate Swaps (Liability)	2,701,000.00	-	102,644.57	1,247,000.00	-	38,721.32
Interest Rate Futures/ Index Option (equity linked derivatives)	3,058.05	-	38.78	58.80	-	0.48
Total derivative financial instruments	**5,014,616.10**	**97,667.49**	**102,683.35**	**2,441,558.80**	**37,467.43**	**38,721.80**

Notes to Financial Statements for the year ended 31st March, 2020

(₹ in lacs)

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, 2020				31st March, 2019			
	Notional amount	Derivative asset	Notional amount	Derivative liability	Notional amount	Derivative asset	Notional amount	Derivative liability
Interest Rate Swaps (Asset)	99,500.00	2,102.48	-	-	94,500.00	1,098.98	-	-
Interest Rate Swaps (Liability)	-	-	470,500.00	7,130.78	-	-	137,000.00	1,472.24
Interest Rate Futures/ Index Option (equity linked derivatives)	3,058.05	-	-	38.78	58.80	-	-	0.48
Total	**102,558.05**	**2,102.48**	**470,500.00**	**7,169.56**	**94,558.80**	**1,098.98**	**137,000.00**	**1,472.72**

Note 6: Loans

Particulars	31st March, 2020	31st March, 2019
At amortised Cost		
Others		
Lending under Liquidity Adjustment Facility (LAF) to RBI*	-	5,000.00
Call & Notice and Term Money Lending	7,500.00	-
Advance for equity purchase to Stock Holding Corporation of India Limited (SHCIL)*	-	22.23
	7,500.00	**5,022.23**
Term loans		
Staff loans*	244.85	235.11
Total (A) Gross	**7,744.85**	**5,257.34**
Less: Impairment loss allowance	-	-
Total (A) Net	**7,744.85**	**5,257.34**
Secured by tangible assets and intangible assets	240.18	5,232.22
Covered by Bank/Government Guarantees	-	-
Unsecured	7,504.66	25.12
Total (B) Gross	**7,744.85**	**5,257.34**
Less: Impairment loss allowance	-	-
Total (B) Net	**7,744.85**	**5,257.34**
Loans in India		
Public Sector	-	-
Others (to be specified)		
-Lending under LAF to RBI*	-	5,000.00

-Call & notice money lending	7,500.00	-
-Advance for equity purchase to SHCIL*	-	22.23
-Staff loans*	244.85	235.11
Total (C) Gross	**7,744.85**	**5,257.34**
Less: Impairment loss allowance	-	-
Total (C) Net	**7,744.85**	**5,257.34**

*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)

	31st March, 2020	31st March, 2019
At fair value through profit or loss (FVTPL)		
Government Securities	1,145,488.31	658,798.71
Bonds, debentures, Certificate of Deposits (CDs) and Commercial Paper (CPs)	150,963.09	222,706.08
Equity Instruments	-	266.78
Total gross (A)	**1,296,451.40**	**881,771.57**
Investments outside India	-	-
Investments in India	1,296,451.40	881,771.57
Total (B)	**1,296,451.40**	**881,771.57**
Total (A) to tally with (B)	1,296,451.40	**881,771.57**
Less: Allowance for Impairment loss (C)	-	-
Total Net D = (A) -(C)	**1,296,451.40**	**881,771.57**

The Company is providing custodian services to its constituents and total holdings of 55 (P.Y. 74) constituents in government securities as at 31st March, 2020 in SGL II with RBI is Rs.54,24,787.05 lacs (P.Y. Rs. 42,49,571.65 lacs)

Note 8: Other financial assets

	31st March, 2020	31st March, 2019
Interest accrued but not due on :		
Government dated and approved securities	13,258.57	9,744.78
Bonds and debentures	3,371.31	4,370.53
LAF lending	-	2.47
Call, Notice and Term money Lending	19.59	-
Cash deposit with Clearing Corporation of India Limited (CCIL)	8.52	6.63
Fixed deposits with Scheduled Banks	19.34	573.12
Security deposit		
- with CCIL	5,429.00	1,572.00
- for Future & Options margin money	23.50	0.92
- Interest Rate Futures Margin Money	307.90	63.72
- for Others	8.02	7.00
Rent receivables	0.43	0.18
Arranger Fee receivable	80.77	-
Advance given to vendors	10.21	-
Expenses recoverable	-	0.05
Total	**22,537.16**	**16,341.40**

Notes to Financial Statements for the year ended 31st March, 2020

(₹ in lacs)

Note 9: Current Tax Assets

Particulars	31st March, 2020	31st March, 2019
Advance Tax 2006-07	2.10	2.10
Advance Tax 2008-09	116.49	116.49
Advance Tax 2011-12	80.87	80.87
Advance Tax 14-15	0.05	0.05
Advance Tax 2016-17	-	0.19
Advance Tax 2017-18	(0.00)	-
Advance Tax 18-19	79.61	-
GST TDS Receivable	0.58	-
Tds Receivable	47.82	106.89
Total	**327.53**	**306.59**

Above years denote Financial Year.

Note 10: Tax Expenses

Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate for 31st March, 2020

Particulars	Year ended March 31, 2020	Year ended March 31 2019
Accounting profit before tax	24,980.57	8,302.07
At India's statutory income tax rate	6,287.11	2,901.08
Interest under section 234B and 234C	49.86	56.14
Adjustments in respect of current income tax of prior years	8.75	80.55
Income not subject to tax		
Interest Earned on PSU Bond- Taxfree	(25.41)	(35.25)
Fair value of Financial Instruments	-	-
Dividend Income on Equity Shares u/s 10(34)	(0.69)	(0.79)
Depreciation as per books	-	-
Prov of Leave encashment & Gratuity	-	-
Others	34.94	(55.33)
CSR Expenses	(9.45)	69.89
Income tax expense reported in the statement of profit & loss	**6,345.11**	**3,016.29**

Deferred Tax (liabilities) / assets	Year ended March 31, 2020	Year ended March 31 2019
Deferred tax liability		
Fair value of Financial Instruments	(996.07)	(600.49)
Gross deferred tax liability	**(996.07)**	**(600.49)**
Deferred tax asset		
Provision for Leave liability	88.11	61.92
Provision for Lease as per Ind AS 116	0.72	-

Difference between tax depreciation and depreciation/amortization charged for the financial reporting	16.45	9.66
Discounting of Staff Loans	2.57	1.89
MAT Credit	-	624.44
Gross deferred tax asset	**107.86**	**697.91**
Net Deferred Tax (Liability)/ Asset	**(888.21)**	**97.42**

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

2019-20	**Income Statement**	**OCI**
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)	-
Net Deferred Tax	**1,022.37**	**(38.74)**

2018-19	**Income Statement**	**OCI**
Fair value of Financial Instruments	1,882.81	-
Remeasurements of defined benefit plan	19.95	(29.77)
Difference between tax depreciation and depreciation/amortization charged for the financial reporting	(2.09)	-
Discounting of Staff Loans	(0.74)	-
Deferred tax on Performance Linked Incentive (PLI)	15.96	-
MAT credit	(624.44)	-
Net Deferred Tax	**1,291.45**	**(29.77)**

Note 11A: Investment Property

FY 2019-20

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

* Market Value of 2 Chennai flats is Rs. 147.16 lacs i.e. Rs. 73.58 lacs each

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

Notes to Financial Statements for the year ended 31st March, 2020

(₹ in lacs)

* 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.

FY 2018-19

S. No.	Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		Cost as at 1st April, 2018	Addition during the year	Adjustments/ Deductions during the year	Total cost as at 31st March, 2019	As at 1st April, 2018	For the period	Adjustments/ Deductions during the year	As at 31st March, 2019	As at 31st March, 2019	As at 31st March, 2018
1	Buildings** (Built Up Flats)	28.00	-	37.81	65.81	15.22	1.44	20.73	37.39	28.41	12.78
	Total	**28.00**	**-**	**37.81**	**65.81**	**15.22**	**1.44**	**20.73**	**37.39**	**28.41**	**12.78**

** 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)

Note 11B: Property, plant and equipment

FY 2019-20

S. No.	Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		Cost as at 1st April, 2019	Addition during the year	Adjustments/ Deductions during the year	Total cost as at 31st March, 2020	As at 1st April, 2019	For the period	Adjustments/ Deductions during the year	As at 31st March, 2020	As at 31st March, 2020	As at 31st 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	6.706	0.93	64.18	50.45	10.11	0.92	59.64	4.54	7.95
		-	-	-			-	-			-
3	Computers	127.11	113.347	-	240.46	124.92	49.51	-	174.44	66.02	2.19
		-	-	-			-	-			-
4	Furnitures and Fixtures	136.16	0.489	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
	Total	**884.06**	**120.54**	**1.46**	**1,003.14**	**655.27**	**77.08**	**1.45**	**730.90**	**272.24**	**228.79**

FY 2018-19

S. No.	Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		Cost as at 1st April, 2018	Addition during the year	Adjustments/ Deductions during the year	Total cost as at 31st March, 2019	As at 1st April, 2018	For the period	Adjustments/ Deductions during the year	As at 31st March, 2019	As at 31st March, 2019	As at 31st March, 2018
1	Buildings (Built Up Flats)	561.44	-	(37.81)	523.63	335.23	10.16	20.73	324.65	198.98	226.21
											-

2	Office equipments	54.49	12.836	8.92	58.40	49.98	9.08	8.61	50.45	7.95	4.51
		-	-	-		-	-	-			-
3	Computers	124.01	4.590	1.49	127.11	119.59	6.42	1.08	124.92	2.19	4.42
		-	-	-		-	-	-			-
4	Furnitures and fixtures	135.52	1.968	1.33	136.16	125.96	6.74	1.33	131.37	4.79	9.56
		-	-	-		-	-	-			-
5	Vehicles	38.75	-	-	38.75	17.04	6.83	0.00	23.87	14.88	21.70
											-
	Total	**914.21**	**19.39**	**(26.07)**	**884.06**	**647.80**	**39.22**	**31.76**	**655.27**	**228.79**	**266.40**

Note 11C: Intangibles

FY 2019-20

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

* Useful life of Intangibles is 6 years.

FY 2018-19

S. No.	Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		Cost as at 1st April, 2018	Addition during the year	Adjustments/ Deductions during the year	Total cost as at 31st March, 2019	As at 1st April, 2018	For the period	Adjustments/ Deductions during the year	As at 31st March, 2019	As at 31st March, 2019	As at 31st March, 2018
1	Software	226.90	30.61	-	257.51	226.61	1.71	-	228.32	29.19	0.29
	Total	**226.90**	**30.61**	**-**	**257.51**	**226.61**	**1.71**	**-**	**228.32**	**29.19**	**0.29**

Note 11D: Right to Use Asset

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	-
	Total	**-**	**97.56**	**-**	**97.56**	**-**	**36.62**	**-**	**36.62**	**60.94**	**-**

Notes to Financial Statements for the year ended 31st March, 2020

(₹ in lacs)

Effective April 01, 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, comparitive figures for the corresponding periods, for the year ended and as at March 31, 2019 have not been retrospectively adjusted.

As per Ind AS 116- Leases applicable from April 01, 2019, the amount of depreciation charged on Right of Use Asset amounts to Rs.36.62 lacs, amount charged as interest expense on leased liability under the Finance cost amounts to Rs.6.83 lacs and the actual lease rent reversed from the administrative expenses for the period 19-20 amounts to Rs. 40.58 lacs. The net charge to the Statement of Profit and loss comes to 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, 2020:

Particulars	Building
Additions	**97.56**
Depreciation	36.62
Balance as at March 31, 2020	**60.94**

ii. The following is the movement in lease liabilities year ended March 31, 2020:

Particulars	Amount (in lakhs)
Additions	**97.56**
Interest on lease liabilities	6.83
Payment of lease liabilities	(40.58)
Balance as at March 31, 2020	**63.81**

iii. The table below provides details regarding the contractual maturities of lease liabilities as at March 31, 2020 on an undiscounted basis:

Particular	Amount
Less than one year	40.58
One to five years	24.77
More than five years	5.95
Total undiscounted lease liabilities	**71.30**

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, 2020	31st March, 2019
Prepaid expenses	25.97	20.64
Unamortised Expenses towards staff	62.93	74.84
Total	**88.90**	**95.48**

Note 13: Payables

	31st March, 2020	31st March, 2019
Trade payables		
Total outsanding dues of Micro Enterprises and Small Enterprises	-	-

Total outsanding dues of Creditors other than Micro Enterprises and Small Enterprises	110.31	72.44
(a)	**110.31**	**72.44**
Other payables		
Total outsanding dues of Micro Enterprises and Small Enterprises	-	-
Total outsanding dues of Creditors other than Micro Enterprises and Small Enterprises	-	-
(b)	**-**	**-**
Total (a) + (b)	**110.31**	**72.44**

Note 14 (a): Debt Securities

	31st March, 2020	31st March, 2019
Commercial Paper Borrowings	49,319.75	-
Total	**49,319.75**	**-**

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

	31st March, 2020	31st March, 2019
At amortised cost		
Secured		
Term loans		
-From Banks		
- from RBI (LAF borrowing, Term LAF and Refinance borrowing)*3	171,772.00	146,000.00
- Loans from Related Party (Punjab National Bank)* 6	92,999.29	-
-From Other Parties		
TREPS (Tri-Party RepoSystem) borrowing from CCIL *4	1,109.66	91,952.08
- REPO borrowings*5	719,433.34	367,400.89
Unsecured		
Term loans		
-From Banks		
- Call short notice and term borrowings	181,800.00	129,960.00
- Loans from Related parties (Punjab National Bank)	-	88,078.97
Total gross (A)	**1,167,114.29**	**823,391.94**
Borrowings in India	1,167,114.29	823,391.94
Borrowings outside India	-	-
Total gross (B)	**1,167,114.29**	**823,391.94**
Total (B) to tally with (A)	**1,167,114.29**	**823,391.94**

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.

Notes to Financial Statements for the year ended 31st March, 2020

(₹ in lacs)

2. During the year, Net Average and Peak borrowings in Call money amounted to Rs.2,09,731.88 lacs and Rs.4,04,075.00 lacs respectively (Previous year 2019 Net Average and Peak borrowings -Rs2,15,797.40 lacs and Rs.3,24,785.00 lacs respectively). For the year 2020, average and peak leverage ratio stands at 10.44 and 12.90 respectively (Previous year 2019 average and peak leverage ratio stands at 7.40 and 9.97 respectively).
3. Pledge of Security Face Value for year 2020 -Rs.1,76,259.40 lacs and Book value Rs.1,79,458.52 lacs (Pledge of Security Face Value for Previous Year 2019 -Rs.1,53,370 lacs and Book Value Rs. 1,52,633.44 lacs).
4. Pledge of Security Face Value for year 2020-Rs.2,500.00 lacs and Book value Rs.2,500.00 lacs (Pleadge of security Face Value for Previous Year 2019-Rs.99,270 lacs and Book Value Rs.97,914.39lacs) .
5. Pledge of Security Face Value for year 2020-Rs. 6,98,469.00 lacs and Book value Rs.7,13,773.27 lacs (Pledge of security Face Value for Previous Year 2019-Rs.3,64,632 lacs and Book Value Rs. 3,61,457.99 lacs).
6. Pledge of Security Face Value for year 2020-Rs. 10,000.00 lacs and Book value Rs.10,118.12 lacs (Pledge of security Face Value for Previous Year 2019-Rs.Nil lacs and Book Value Rs. Nil lacs).

The weighted average rate of interest for the borrowings are as follows:

- Term LAF	5.32%
- Refinance	4.40%
- TREPS from CCIL	3.75%
- Repo	1.93%
- Call & Notice Money Borrowing	4.79%
- Term Borrowing	5.61%
- Loan from related party (PNB)	7.50%
- Commercial Paper Borrowing	5.67%

Note 15: Other financial liabilities

	31st March, 2020	31st March, 2019
Interest accrued but not due		
Short term borrowings	459.17	734.45
Unclaimed dividend	76.62	71.56
Unclaimed bonus fractional entitlement payable	0.32	0.32
Stale cheques	2.77	3.50
Earnest money received	1.07	-
Total	**539.96**	**809.83**

Note 16: Current Tax Liabilities

Particulars	31st March, 2020	31st March, 2019
Provision for Taxation 2018-19	-	27.29
Provision for Taxation 2005-06	11.44	11.44
Provision for Taxation 2009-10	5.14	5.14
Provision for Taxation 2012-13	11.20	11.20
Provision for Taxation 2013-14	8.34	8.34
Provision for Taxation 2016-17	8.57	-
Provision for Taxation 2019-20	64.00	-
Provision for Taxation 2015-16	5.77	5.77
Total	**114.46**	**69.18**

All years denote financial year.

Notes to Financial Statements for the year ended 31st March, 2020

(₹ in lacs)

Note 17: Provisions

	31st March, 2020	31st March, 2019
Provision for employee benefits		
Leave encashment	350.10	177.21
Provision for Performance Linked Incentive	259.00	67.00
Others		
Provision for expenses	108.14	103.40
Total	**717.24**	**347.61**

Note 18: Other Non-Financial Liabilities

	31st March, 2020	31st March, 2019
TDS Payable	16.58	24.01
GST Payable	9.03	
Total	**25.61**	**24.01**

Note 19. Share Capital

Particulars	31-Mar-20		31-Mar-19	
	No. of Shares	Amount	No. of Shares	Amount
Authorised:				
50,00,00,000 Equity shares of Rs. 10/-each	**500,000,000**	**50,000.00**	**500,000,000**	**50,000.00**
Issued, subscribed and Paid Up	**180,010,134**	**18,001.01**	**180,010,134**	**18,001.01**
18,00,10,134 Equity shares of Rs.10/-each fully paid up				
Promoter:				
Punjab National Bank	**133,333,333**	**13,333.33**	**133,333,333**	**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%
Share holding more than 5% details:				
Punjab National Bank 13,33,33,333 Equity shares of Rs.10/-each fully paid up Share holding(%)	**133,333,333**	**13,333.33**	**133,333,333**	**13,333.33**
	74.07%	74.07%	74.07%	74.07%

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

	31st March, 2020	31st March, 2019
Opening number of shares	180,010,134	180,010,134
Add: Additions during the year	-	-
Less: Reduction during the year	-	-
Closing number of shares	**180,010,134**	**180,010,134**

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 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.

Note 20: Other equity

Reserve and surplus

Statutory reserve (₹ in lacs)

	31st March, 2020	31st March, 2019
Opening balance	25,154.70	24,097.54
Addition during the year	3,727.09	1,057.16
Closing balance	**28,881.79**	**25,154.70**

(a) Securities premium reserve

	31st March, 2020	31st March, 2019
Opening balance	2,501.27	2,501.27
Addition during the year	-	-
Closing balance	**2,501.27**	**2,501.27**

(b) General reserve

	31st March, 2020	31st March, 2019
Opening balance	9,776.54	9,776.54

Addition during the year	-	-
Closing balance	**9,776.54**	**9,776.54**

(c) Capital reserve

	31st March, 2020	31st March, 2019
Opening balance	6,320.04	6,320.04
Addition during the year	-	-
Closing balance	**6,320.04**	**6,320.04**

(d) Market fluctuation reserve

	31st March, 2020	31st March, 2019
Opening balance	6,300.00	6,300.00
Addition during the year	-	-
Closing balance	**6,300.00**	**6,300.00**

(e) Retained earning

	31st March, 2020	31st March, 2019
Opening balance	20,713.64	18,710.60
Addition during the year	18,524.05	5,230.35
Transferred to other reserves	(3,727.09)	(1,057.16)
Dividends (including dividend distribution tax)	(3,038.17)	(2,170.13)
Closing balance	**32,472.43**	**20,713.66**
	86,252.07	**70,766.21**

- A sum of Rs. 3727.09 lacs (P.Y. 2019 Rs.1057.16 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 2019-20, Board of Directors had decided not to appropriate any amount to this reserve and the balance outstanding as on 31st March , 2020 in this reserve is Rs. 6300 lacs (P.Y. 2019 Rs.6300 lacs). The same is not free for distribution of dividend.
- The Board of Directors have recommended a final dividend of Rs. 3/- per equity share amounting to Rs. 5400.30 lacs for FY 19-20 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. 5400.30 lacs has not been recognised as a liability as at the balance sheet date. Proposed final dividend for FY 2018-19 of Re 1.40 per equity share of Rs. 10 each amounting to Rs. 2520.14 lacs and DDT of Rs. 518.02 lacs has been accounted for in the current financial year.
- 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, 2020. Accordingly, the tax rate for the FY ended 19-20 is 25.168% and the tax expense for the year ended March 31,2020 includes reversal of MAT credit amounting to Rs. 624.44 lacs.

Nature and purpose of reserves:

(a) **Statutory reserve-** Statutory reserve is created pursuant to section 45-IC of Reserve Bank of India Act. 1934. 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.

(b) **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.

(c) **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, 2020 and 31st March, 2019.

(d) **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.

(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, 2020	Year ended 31st March, 2019
On financial assets measured at amortised cost			
(a) Interest on loans			
-Short term lending		624.08	555.70
(b)Other interest income			
-Deposit with CCIL		29.35	24.62
-Interest on deposits with banks		277.06	1,038.44
	(I)	**930.50**	**1,618.76**
On financial assets classified at fair value through profit and loss			
(c) Interest income from Investments			
-Government securities		60,489.44	25,957.59
-Corporate bonds and debentures		9,853.43	8,653.18
(d)Other interest income			
-Interest on trading swaps		(214.90)	(17.22)
-Interest on non competitive sales		7.03	6.96
	(II)	**70,135.00**	**34,600.51**
On financial assets classified at fair value through profit and loss			
Commercial papers		99.80	47.72

(e) Certificate of deposits	275.71	306.88
Treasury bills/cash management bills	5,204.54	12,783.91
(III)	**5,580.05**	**13,138.51**
Total Interest Income (I+II+III)	**76,645.56**	**49,357.78**

Note 22: Rental income

	-	-
Rent received*	11.00	4.20
Total	**11.00**	**4.20**

* 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.

Note 23: Net gain/ (loss) (Realised & Unrealised)	**Year ended 31st March, 2020**	**Year ended 31st March, 2019**
Net gain/ (loss) on financial instruments at fair value through profit or loss		
On trading portfolio		
- Investment	15,285.00	2,241.33
- Derivatives	(4,135.04)	(1,340.91)
Total net gain/(loss) (Realised & Unrealised)	**11,149.96**	**900.42**
A. *Trading Profit/(loss) (Realised)*		
(a) **Government securities**		
Sales	37,630,802.29	14,333,763.24
Add: Closing stock	921,111.10	495,311.93
Less: Purchases	38,053,804.94	14,524,674.91
Less: Opening stock	495,311.93	311,386.05
Total	**2,796.52**	**(6,985.79)**
(b) **T-Bills and CMBs**		
Sales	3,410,601.71	2,673,103.47
Add: Closing stock	215,513.14	162,301.56
Less: Purchases	3,463,507.32	2,747,455.71
Less: Opening stock	162,301.56	87,751.70
Total	**305.96**	**197.62**

Notes to Financial Statements for the year ended 31st March, 2020

(₹ in lacs)

(c) **Commercial Papers (CPs)**			
Sales		28,552.39	2,963.05
Add: Closing stock		9,504.25	-
Less: Purchases		38,053.68	2,963.03
Less: Opening stock		-	-
	Total	**2.96**	**0.02**
(d) **Certificate of Deposits (CDs)**			
Sales		86,394.92	75,003.96
Add: Closing stock		-	64,750.33
Less: Purchases		21,636.36	134,767.44
Less: Opening stock		64,750.33	4,983.48
	Total	**8.23**	**3.37**
(e) **Bonds & Debentures**			
Sales		2,754,851.89	1,240,934.56
Add: Closing stock		141,413.70	157,837.09
Less: Purchases		2,733,856.67	1,297,360.62
Less: Opening stock		157,837.09	101,338.60
	Total	**4,571.82**	**72.43**
(f) **Equity Shares**			
Sales		3,308.84	3,394.04
Add: Closing stock		-	269.01
Less: Purchases		3,049.82	3,497.02
Less: Opening stock		269.01	128.83
	Total	**(9.98)**	**37.20**
(g) **Mutual Funds**			
Sales		7.71	2,040,491.05
Add: Closing stock		-	-
Less: Purchases		-	2,038,599.50
Less: Opening stock		-	-
	Total	**7.71**	**1,891.55**
(h) **Derivatives**			
Interest Rate Swaps		-	(0.03)
Interest Rate Futures		(528.69)	(17.57)
Futures & Options		0.64	(11.71)
	Total	**(528.05)**	**(29.31)**
Total Trading profit/(loss) (Realised) (a+b+c+d+e+f+g+h) (A)		**7,155.15**	**(4,812.91)**
B. ***Fair value changes: Unrealised***			
(a) **Government Securities**			
Add: Closing Stock		8,588.02	605.36
Less: Opening Stock		605.36	(4,718.15)

	Total	7,982.66	5,323.51
(b) **T-Bills and CMBs**			
Add: Closing Stock		279.12	572.42
Less: Opening Stock		572.42	(86.36)
	Total	(293.30)	658.78
(c) **Commercial Papers (CPs)**			
Add: Closing Stock		18.10	-
Less: Opening Stock		-	-
	Total	18.10	-
(d) **Certificate of Deposits (CDs)**			
Add: Closing Stock		-	14.68
Less: Opening Stock		14.68	-
	Total	(14.68)	14.68
(e) **Bonds & Debentures**			
Add: Closing Stock		27.04	120.26
Less: Opening Stock		120.26	(906.05)
	Total	(93.22)	1,026.31
(f) **Equity Shares**			
Add: Closing Stock		-	(2.23)
Less: Opening Stock		(2.23)	(3.88)
	Total	2.23	1.65
(g) **Mutual Funds**		-	-
(h) **Derivatives**		(3,606.99)	(1,311.60)
Total fair value changes (Unrealised) (a+b+c+d+e+f+g+h) (B)		**3,994.80**	**5,713.33**
Total Net gain/ (loss) (Realised & Unrealised) (A+B)		**11,149.96**	**900.42**
		(0.00)	(0.00)

Note 24: Fees and commission income

		Year ended 31st March, 2020	**Year ended 31st March, 2019**
Underwrting fees		123.86	496.08
Commission and other fees		291.36	18.68
	Total	**415.22**	**514.76**

Note 25: Other income

		Year ended 31st March, 2020	**Year ended 31st March, 2019**
Amount received from MMCBL**		10.00	2.00
Other miscellaneous income #		25.42	19.92
	Total	**35.42**	**21.92**

** Rs. 10.00 lacs (P.Y. Rs. 2.00 Lacs) is 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.18.89 lacs (PY:Rs.14.31 lacs).

Note 26: Finance Cost

	Year ended 31st March, 2020	Year ended 31st March, 2019
On financial liabilities measured at amortised cost		
Interest on borrowings		
Call and short notice borrowing	11,733.42	14,166.43
TREPS borrowing	1,798.83	5,475.90
Repo borrowing	30,552.76	12,739.35
RBI borrowing	6,074.48	7,330.45
Overdraft borrowing	1,268.13	70.20
Interest expense on lease liability	6.83	-
Interest expense on CP Borrowing	463.70	-
ICD borrowing	27.76	561.34
Total	**51,925.90**	**40,343.67**

Note 27: Fee and commission expense

	Year ended 31st March, 2020	Year ended 31st March, 2019
Brokerage on securities and financial instruments	10.64	4.06
Financial information services	60.72	57.89
Operating expenses for futures and options	0.81	4.03
Operatig expenses for equity	7.18	8.51
Operating expenses for IRF	12.12	3.99
Operating expenses for CP	13.21	-
Transaction charges etc	865.54	453.30
Bank charges and Processing fee	92.98	3.38
Total	**1,063.20**	**535.16**

Note 28: Employee benefit expenses

	Year ended 31st March, 2020	Year ended 31st March, 2019
Salaries and allowances*	866.19	531.82
Stipend expenses	34.78	0.82
Contribution to PF and gratuity fund	54.97	58.98
Staff welfare and other establishment expenses	176.03	73.69
Staff recruitment and training	17.92	48.72
Total	**1,149.88**	**714.04**

* This figure includes Rs.259.00 lacs as performance linked incentive provision (P.Y. : Rs. 67.00 lacs)

Notes to Financial Statements for the year ended 31st March, 2020

(₹ in lacs)

Note 29: Other expenses

	Year ended 31st March, 2020	Year ended 31st March, 2019
Rent on business premises	162.52	162.40
Less: Rent reversal as per Ind AS 116	(40.58)	-
Postage, telegram, couriers and telephone	19.37	22.44
Travelling and conveyance and motor car expense	42.36	38.03
Printing and stationery	10.48	10.48
Repairs to building	25.81	28.17
Repairs and maintenance - Others	116.24	70.89
Internal audit fees and expense	19.47	19.47
Legal and professional expense	33.08	54.72
Listing fees	7.88	7.43
Books and periodicals	2.32	2.54
Workshops and business meets	44.27	39.38
Water and electicity expenses	18.67	16.80
Insurance charges	2.81	3.45
Director's sitting fees	34.52	22.67
Auditors remuneration (refer note a)	47.79	19.78
Adhoc staff expenses	55.85	49.95
Net loss on disposal of property, plant and equipment	0.01	0.51
Share transfer fees	8.28	7.50
Corporte membership	3.65	3.90
Advertisement and publicity	3.42	2.93
Board / statutory meeting expenses	7.07	5.97
Miscellaneous expenses (refer note b)	10.65	19.03
CSR expenses (refer Note 47)	237.99	255.61
Total	**873.93**	**864.05**

(a) Payment to Auditors

	Year ended 31st March, 2020	Year ended 31st March, 2019
As auditor:		
- Audit fee	14.16	9.98
- Tax audit fee	3.54	2.05
In other capacity:	-	
- Certification and other fees	30.09	7.75
	47.79	**19.78**

(b) This amount includes the amount of Rs. 53,100/- paid to CCIL on 25.07.2019 on account of security shortfall. The issue occurred due to separate settlement timing of CCIL and RBI and there wasn't an actual security shortfall. Also, an amount of Rs. 6,721/- was paid to CCIL on account of shortfall in cash margin maintained with CCIL on 10.04.2019.

Note 30: Exceptional Items

	Year ended 31st March, 2020	Year ended 31st March, 2019
Exceptional Items comprise the following:		
i) Write off of 9.05% Dewan Housing Finane 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	-
Total	**8,121.58**	**-**

Note 31: Earning 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.

	2019-20	2018-19
Net profit from continued operation attributable to equity holders of the parent	18,635.46	5,285.78
Net profit from continuing operation attributable to equity holders of the parent adjusted for the effect of dilution	18,635.46	5,285.78
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
Earnings per share		
Basic earnings per share	10.35	2.94
Diluted earnings per share	10.35	2.94

Note 32: Retirement benefit plan

(I) Defined Contribution Plan

The Company makes contributions towards provident fund, in respect of qualifying employees

Particulars	31-Mar-20	31-Mar-19
Employer's contribution to Provident Fund	40.04	29.30

(II) Defined benefit plan

(A) *Leave encashment*

The benefit on account of leave encashment are provided based on actuarial valuation for the Company as a whole..

Key assumptions	31st March, 2020	31st March, 2019
Mortality Table	I.A.L-2012-14 ultimate	I.A.L-2012-14 ultimate
Attrition Rate	3.00%p.a.	6.00% p.a.
Imputed Rate of Interest (Discounting)	6.77% p.a.	7.70% p.a.
Imputed Rate of Interest (Interest Cost)	7.70% p.a.	7.65% p.a.
Salary Rise	10.00% p.a.	7.00% p.a.
Return on Plan Assets	N.A.	N.A.
Remaining working life	19.74 years	19.67 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:

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	177.20	104.56	11.06	115.62	(67.12)	124.40	350.10

Changes in the defined benefit obligation as at 31st March, 2019

Particulars	1-Apr-18	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-19
	(i)			(ii)	(iii)	(iv)	(v) = (i+ii+iii+iv)
Defined benefit obligation	149.07	44.08	7.54	51.62	(100.95)	77.46	177.20

Notes to Financial Statements for the year ended 31st March, 2020

(₹ in lacs)

(B) *Gratuity*

The disclosure on account of gratuity are provided based on actuarial valuation for the Company as a whole.

Key assumptions	31st March, 2020	31st March, 2019
Mortality Table	I.A.L-2012-14 ultimate	I.A.L-2012-14 ultimate
Attrition Rate	3% p.a.	6.00% p.a.
Imputed Rate of Interest (Discounting)	6.77% p.a.	7.70% p.a.
Imputed Rate of Interest (Interest Cost)	7.70% p.a.	7.65% p.a.
Salary Rise	10.00% p.a.	7.00% p.a.
Return on Plan Assets	7.70% p.a.	7.65% p.a.
Remaining working life	20.11 years	19.67 years

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

Changes in the defined benefit obligation and fair value of plan assets as at 31st March, 2019

Particulars	1-Apr-18	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-19
	(i)			(ii)	(iii)	(iv)	(v)	(vi)	(vii) = (i) to (vi)
Defined benefit obligation	98.35	9.44	6.73	**16.17**	(20.71)	-	10.41	-	104.22
Fair value of plan assets	98.35	-	-	**-**	(20.88)	7.49	2.66	20.12	107.74

(C) Expected payment for future years

(i) Gratuity

Based on past service	**31st March, 2020**	**31st March, 2019**
Within the next 12 months (next annual reporting period)	24.53	7.07
Between 2 and 5 years	25.50	45.19
Between 5 and 10 years	61.95	21.63
Beyond 10 years	241.93	131.81
Total expected payments	**353.91**	**205.69**

Based on terminal service	31st March, 2020	31st March, 2019
Within the next 12 months (next annual reporting period)	24.73	7.34
Between 2 and 5 years	38.52	56.49
Between 5 and 10 years	84.52	40.13
Beyond 10 years	385.36	214.41
Total expected payments	**533.13**	**318.38**

(ii) Leave encashment

Based on terminal service	31st March, 2020	31st March, 2019
Within the next 12 months (next annual reporting period)	56.26	10.64
Between 2 and 5 years	44.84	75.76
Between 5 and 10 years	144.38	35.85
Beyond 10 years	601.35	220.01
Total expected payments	**846.83**	**342.26**

(D) *Sensitivity analysis*

(i) *Gratuity*

Assumptions	31-Mar-20		31-Mar-19		31-Mar-20		31-Mar-19		31-Mar-20		31-Mar-19	
	Discount rate				Future salary increases				Attrition 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	(7.20)	7.80	(3.54)	3.77	2.23	(2.65)	3.01	(3.12)	(0.30)	0.30	0.20	(0.22)

(ii) Leave encashment

Assumptions	31-Mar-20		31-Mar-19		31-Mar-20		31-Mar-19		31-Mar-20		31-Mar-19	
	Discount rate				Future salary increases				Attrition 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	(17.17)	18.74	(5.58)	5.96	18.08	(16.76)	5.97	(5.64)	(4.71)	5.16	0.31	(0.33)

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 liabilites 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

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.

Note 34: Related party disclosures

1.1 **Details of Related Party**

Particulars	Relationship
Punjab National Bank	Parent
Punjab National Bank (International) Ltd.	Subsidiary of Parent
PNB Investment Services Ltd.	Subsidiary of Parent
Druk PNB Bank Ltd.	Subsidiary of Parent
PNB Insurance Broking Pvt. Ltd.	Subsidiary of Parent
Dakshin Bihar Gramin Bank (Earlier known as Madhya Bihar Gramin Bank)	Associates of Parent
Sarva Haryana Gramin Bank	Associates of Parent
Himachal Gramin Bank	Associates of Parent
Punjab Gramin Bank	Associates of Parent
Prathama UP Gramin Bank (Earlier known as Sarva UP Gramin Bank)	Associates of Parent
Principal PNB Asset Management Co. Pvt. Ltd.	Associates of Parent
Principal Trustee Co. Pvt. Ltd.	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
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 Company Gratuity Fund Trust	Post Employment benefit plan of Reporting Entity

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.

	2020	2019
	INR Lacs	INR Lacs
Short–term employee benefits		
- Mr. S.K. Dubey- MD (from April 01, 2018 to January 31, 2019)	9.19	53.19
- Mr. Vikas Goel-MD & CEO (w.e.f. February 01,2019)	100.47	16.46
- Mrs. Sunita Gupta (ED & CFO)	63.21	46.24
- Mrs. Monika Kochar (Company Secretary)	26.94	19.82
- Sitting Fee to Non-Executive Directors	34.52	22.67
Post–employment pension (defined contribution)	-	-
Termination benefits	-	-
Other Long term benefits	-	-
Share Based Payments	-	-
TOTAL	**234.33**	**158.38**

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 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. During FY 18-19, PLI paid to Mr. S.K. Dubey (Managing Director) was Rs. 8.60 lacs, to Mrs. Sunita Gupta (Executive Director and CFO) was Rs. 6.56 lacs and to Mrs. Monika Kochar (Company Secretary) was Rs. 1.40 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.

		2019-20 (Book Value)	2018-19 (Book Value)
1	**Security Purchase**		
	Punjab Gramin Bank	115,887.41	18,775.43
	PNB Employees PF Trust	4,692.78	8,673.03
	Himachal Gramin Bank	5,924.76	13,884.43
	Madhya Bihar Gramin Bank/ Dakshin Bihar Gramin Bank	83,487.98	19,856.56
	Sarva Haryana Gramin Bank	54,529.73	5,447.65

Notes to Financial Statements for the year ended 31st March, 2020

(₹ in lacs)

		2019-20 (Book Value)	2018-19 (Book Value)
	Prathama UP Gramin Bank (Earlier known as Sarva UP Gramin Bank)	11,588.66	8,278.94
	Punjab National Bank	81,156.34	35,389.66
	Principal PNB Asset Management Co. Pvt. Ltd.	-	2,490.75
	PNB Metlife India Insurance Co. Ltd.	4,652.65	436.35
2	**Security Purchase Against Short Sale**		
	Madhya Bihar Gramin Bank/ Dakshin Bihar Gramin Bank	60,331.48	54,210.60
	Punjab Gramin Bank	6,224.63	-
	Sarva Haryana Gramin Bank	37,360.65	5,810.95
	Himachal Gramin Bank	1,018.63	1,893.15
	Prathama UP Gramin Bank (Earlier known as Sarva UP Gramin Bank)	3,095.20	492.23
3	**Security Sale/ Redemption**		
	Prathama UP Gramin Bank (Earlier known as Sarva UP Gramin Bank)	54,990.49	21,974.18
	Punjab National Bank	567,134.90	1,986.80
	Madhya Bihar Gramin Bank/ Dakshin Bihar Gramin Bank	158,764.93	185,033.13
	Himachal Gramin Bank	94,245.55	40,452.66
	PNB Housing Finance Ltd.	7,921.40	6,008.94
	PNB Employees PF Trust	20,058.73	12,948.70
	Punjab Gramin Bank	213,129.95	47,075.61
	Sarva Haryana Gramin Bank	247,821.68	12,887.02
	PNB Metlife India Insurance Co. Ltd.	17,691.51	7,535.02
	PNB Employees Pension Fund	-	59,761.59
4	**Short Sale**		
	Prathama UP Gramin Bank (Earlier known as Sarva UP Gramin Bank)	-	487.00
	Sarva Haryana Gramin Bank	2,097.80	-
	Madhya Bihar Gramin Bank/ Dakshin Bihar Gramin Bank	2,063.80	-
5	**Reverse Repo Lending**		
	Punjab Gramin Bank	160,479.87	-
6	**Repo**		
	Madhya Bihar Gramin Bank/ Dakshin Bihar Gramin Bank	10,165.68	-

Notes to Financial Statements for the year ended 31st March, 2020

(₹ in lacs)

		2019-20 (Book Value)	2018-19 (Book Value)
7	**Profit on Sale/Purchase against short sale**		
	Madhya Bihar Gramin Bank/ Dakshin Bihar Gramin Bank	256.30	109.30
	Prathama UP Gramin Bank (Earlier known as Sarva UP Gramin Bank)	88.98	10.25
	Punjab National Bank	(168.80)	0.03
	Himachal Gramin Bank	231.50	69.53
	PNB Housing Finance Ltd.	56.49	3.63
	PNB Employees PF Trust	66.20	(4.98)
	Punjab Gramin Bank	442.16	72.29
	PNB Employees Pension Fund	-	(5.70)
	PNB Metlife India Insurance Co. Ltd.	25.91	(5.89)
	Sarva Haryana Gramin Bank	(452.31)	2.55
8	**Fee Income**		
	Himachal Gramin Bank	1.67	1.58
	PNB Housing Finance Ltd.	0.40	0.62
	Madhya Bihar Gramin Bank/ Dakshin Bihar Gramin Bank	0.95	0.59
	Punjab Gramin Bank	1.37	0.76
	Sarva Haryana Gramin Bank	0.94	0.80
	PNB Employees Pension Fund	2.12	0.58
	PNB Employees PF Trust	0.99	0.28
	PNB Employees Gratuity Fund	0.52	0.13
	Prathama UP Gramin Bank (Earlier known as Sarva UP Gramin Bank)	0.87	0.73
9	**Rent Paid**		
	Punjab National Bank	160.68	160.68
10	**Bank Charges Paid**		
	Punjab National Bank	4.13	2.95
11	**Rent booked in P&L from PNB**	11.00	4.20
12	**Term Insurance premium paid**		
	PNB Metlife India Insurance Co. Ltd.	3.84	3.61
13	**Rent receivable from PNB**	0.43	0.18
14	**TDS receivable on rent from PNB**	0.90	0.42
15	**Interest accrued on CD**		
	Punjab National Bank	181.84	14.94
16	**Line of credit availed**		
	Punjab National Bank	412,591.57	91,766.88
17	**Interest paid on line of credit**		
	Punjab National Bank	1,268.13	70.20
18	**Processing fee paid/payable to PNB**	88.50	-

Notes to Financial Statements for the year ended 31st March, 2020

(₹ in lacs)

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, 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, 2020	31st March, 2019
Capital Adequacy Ratio	32.47%	36.59%

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, 2020 and 31st March, 2019.

Note 36: Change in liabilities arising from financing activities

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	823,391.94	343,722.35	-	-	-	1,167,114.29
Other financial liabilities	809.83	(269.87)	-	-	-	539.96

Particulars	1-Apr-18	Cash Flows	Changes in fair values	Exchange difference	Other	31-Mar-19
Payables	19.98	52.46	-	-	-	72.44
Borrowing other than debt securities	436,865.40	386,526.54	-	-	-	823,391.94
Other financial liabilities	976.51	(166.68)	-	-	-	809.83

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.

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	2019-20	2018-19	Forum where pending
2007-08 under section 115WE(1) of the Income Tax Act, 1961	1.33	1.33	AO
2008-09 under section 115WE(1) of the Income Tax Act, 1961	0.13	0.13	AO
2008-09 under section 143(3) of the Income Tax Act, 1961	1.78	1.78	AO
2011-12 under section 154 of the Income Tax Act, 1961	3.21	3.21	AO
2012-13 under section 143(3) of the Income Tax Act, 1961	342.80	342.80	ITAT
2013-14 under section 143(3) of the Income Tax Act, 1961	-	190.51	ITAT
2014-15 under section 271(1)(c) of the Income Tax Act, 1961	7.12	7.12	CIT(A)
2014-15 under section 143(3) of the Income Tax Act, 1961	201.57	268.70	ITAT
2016-17 under section 143(3) of the Income Tax Act, 1961	123.83	123.83	CIT(A)
2017-18 under section 143 (3) of the Income Tax Act, 1961	180.63	-	CIT(A)
2019-20 under section 143 (1) of the Income Tax Act, 1961	252.83	-	
TOTAL*	**1,115.23**	**939.41**	

* 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

Assets	31-Mar-20			31-Mar-19		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Financial assets						
Cash and cash equivalents	74.40	-	74.40	20.52	-	20.52
Bank balance other than above	488.00	76.94	564.94	10,488.00	71.88	10,559.88
Derivative financial instruments	97,667.49	-	97,667.49	37,467.43	-	37,467.43
Loans	7,500.00	244.85	7,744.85	5,001.55	255.79	5,257.34
Investments	1,296,451.40	-	1,296,451.40	881,771.57	-	881,771.57
Other financial assets	16,989.57	5,547.59	22,537.16	14,762.40	1,579.00	16,341.40
Non- financal assets						
Current tax assets (net)	327.53	-	327.53	306.59	-	306.59
Deferred tax assets (net)	-	-	-	-	97.42	97.42
Investment property	-	27.04	27.04	-	28.41	28.41
Right of Use Asset	-	60.94	60.94			
Property, plant and equipment	-	272.24	272.24	-	228.79	228.79
Other Intangible assets	-	13.17	13.17	-	29.19	29.19
Other non- financial assets	25.97	62.93	88.90	20.64	74.84	95.48

Note 39: Maturity analysis of assets and liabilities

Assets	31-Mar-20			31-Mar-19		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Total Assets	**1,419,524.36**	**6,305.70**	**1,425,830.06**	**949,838.70**	**2,365.33**	**952,204.03**
Liabilities						
Financial liabilities						
Derivative financial instruments	102,683.35	-	102,683.35	38,721.80	-	38,721.80
Trade Payables (other than MSME)	110.31	-	110.31	72.44	-	72.44
Debt Securities	49,319.75	-	49,319.75	-	-	-
Borrowing (other than debt securities)	1,167,114.29	-	1,167,114.29	823,391.94	-	823,391.94
Lease Liability	-	63.81	63.81	-	-	-
Other financial liabilities	459.17	80.79	539.96	734.45	75.38	809.83
						-
Non financial liabilities						-
Current tax liabilities (net)	114.46	-	114.46	69.18	-	69.18
Provisions	367.14	350.10	717.24	181.04	166.57	347.61
Deferred tax liabities (net)	-	888.21	888.21	-	-	-
Other Non financial liabilities	25.61	-	25.61	24.01	-	24.01
Total Liabilities	**1,320,194.08**	**1,382.90**	**1,321,576.98**	**863,194.86**	**241.95**	**863,436.81**

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.

(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, 2020:

Notes to Financial Statements for the year ended 31st March, 2020

(₹ in lacs)

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	166,754.08	-	98,337.68	-	-	-	-	-	**265,091.76**
Market Borrowing	900,178.98	22,520.55	30,000.00	-	-	-	-	-	**952,699.53**
	1,066,933.06	**22,520.55**	**128,337.68**	-	-	-	-	-	**1,217,791.29**

The table below summarises the maturity profile of the undiscounted cash flows of the Company's financial liabilities as at 31st March, 2019:

31-Mar-19	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 1year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Borrowings from Banks	328,214.14	34,083.34	-	2,705.68	-	-	-	-	**365,003.16**
Market Borrowing	459,724.64	-	-	-	-	-	-	-	**459,724.64**
	787,938.78	**34,083.34**	**-**	**2,705.68**	-	-	-	-	**824,727.80**

(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. 25,023.63 lacs (P.Y. 2019 Rs. 22,386.52 lacs) and to single group of borrower or counterparty was Rs. 34,088.56 lacs (P.Y. 2019 Rs. 28,704.37 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 :

	31-Mar-20			31-Mar-19			
	Carrying amount	Traded risk	Non-traded risk	Carrying amount	Traded risk	Non-traded risk	Primary risk sensitivity
ASSETS							
Financial assets							
Cash and cash equivalents	74.40	-	74.40	20.52	-	20.52	Interest rate
Bank balance other than above	564.94	-	564.94	10,559.88	-	10,559.88	Interest rate
Derivative financial instruments	97,667.49	97,667.49	-	37,467.43	37,467.43	-	Interest rate
Loans	7,744.85	-	7,744.85	5,257.34	-	5,257.34	Interest rate
Investments	1,296,451.40	1,296,451.40	-	881,771.57	881,771.57	-	Interest rate
Other financial assets	22,537.16	-	22,537.16	16,341.40	-	16,341.40	
Total	**1,425,040.24**	**1,394,118.89**	**30,921.35**	**951,418.14**	**919,239.00**	**32,179.14**	

Notes to Financial Statements for the year ended 31st March, 2020

(₹ in lacs)

LIABILITIES							
Financial liabilities							
Derivative financial instruments	102,683.35	102,683.35	-	38,721.80	38,721.80	-	Interest rate
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	110.31	-	110.31	72.44	-	72.44	
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)	1,167,114.29	-	1,167,114.29	823,391.94	-	823,391.94	Interest rate
Other financial liabilities	539.96	-	539.96	809.83	-	809.83	
Total	**1,319,767.66**	**102,683.35**	**1,167,764.56**	**862,996.01**	**38,721.80**	**824,274.21**	

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 (Interest rate risk + Spread risk+ equity risk) over a 301 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

	Interest Rate Risk	Equity & Equity F&O	Other*
2018-19 -31st March	2,476.46	11.55	-
2018-19 -Average	891.75	11.96	22.53
2018-19- Maximum	2,800.27	30.72	231.00
2018-19 -Minimum	465.88	3.95	-

	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	-	-

**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 2019-20, the Company recorded four back–testing exceptions (2018-19: three exceptions), when actual losses exceeded daily VaR limits.

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.

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, 2020				31st March, 2019				
	Carrying Value	Level 1	Level 2	Level 3	Total	Carrying Value	Level 1	Level 2	Level 3	Total
Assets measured at fair value										
Derivative financial instruments										
Interest rate swaps	97,667.49		97,667.49		97,667.49	37,467.43		37,467.43		37,467.43
Total derivative financial instruments	**97,667.49**	**-**	**97,667.49**	**-**	**97,667.49**	**37,467.43**	-	**37,467.43**	**-**	**37,467.43**
Financial investment held for trading										
Government Securities	1,145,488.31		1,145,488.31		1,145,488.31	658,798.71		658,798.71		658,798.71
Debt Securities	150,963.09		150,963.09		150,963.09	222,706.08		222,706.08		222,706.08
Equity instruments	-	-			-	266.78	266.78			266.78
Total financial investment held for trading	**1,296,451.40**	**-**	**1,296,451.40**	**-**	**1,296,451.40**	**881,771.57**	**266.78**	**881,504.79**	**-**	**881,771.57**
Total assets easured at fair value	**1,394,118.89**	**-**	**1,394,118.89**	**-**	**1,394,118.89**	**919,239.00**	**266.78**	**918,972.22**	**-**	**919,239.00**
Liabilities measured at fair value										
Derivative financial instruments										
Interest rate swaps/IRF	102,683.35	38.78	102,644.57		102,683.35	38,721.80		38,721.80		38,721.80
Liabilities measured at fair value	**102,683.35**	**38.78**	**102,644.57**	**-**	**102,683.35**	**38,721.80**	**-**	**38,721.80**	**-**	**38,721.80**

41.4 Valuation techniques

Government Securities (Central Government Securities and State Government Securities)

Government securities are financial instruments issued by Central and State Govenments. 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 use FBIL-TBILL benchmark and based on that benchmark company interpolate and calculate T-Bills prices corresponding to there 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 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 company interpolate and calculate 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 31st March, 2019 and 31st March, 2020.

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.

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 2019 or 2020.

41.7 Impact of valuation adjustments

The following table shows the amount recorded in the statement of profit and loss:

	2019-20	2018-19
Type of adjustment		
Credit value adjustment	0.07	1.28
Total	0.07	1.28

41.8 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, 2020					31st March, 2019				
	Carrying Value	Fair Value				Carrying Value	Fair Value			
		Level 1	Level 2	Level 3	Total		Level 1	Level 2	Level 3	Total
Financial Assets:										
Cash and cash equivalents	74.40	74.40	-	-	74.40	20.52	20.52	-	-	20.52
Bank balance other than above	564.94	564.94	-	-	564.94	10,559.88	10,559.88	-	-	10,559.88
Loans	7,744.85	-	7,744.85	-	7,744.85	5,257.34	-	5,257.34	-	5,257.34
Other Financial assets	22,537.16	-	22,537.16	-	22,537.16	16,341.40	-	16,341.40	-	16,341.40
Total financial assets	**30,921.35**	**639.34**	**30,282.01**	**-**	**30,921.35**	**32,179.14**	**10,580.40**	**21,598.74**	**-**	**32,179.14**
Financial Liabilities:										
Trade payables	110.31	-	110.31	-	110.31	72.44	-	72.44	-	72.44
Other payables	-	-	-	-	-	-	-	-	-	-
Debt securities	49,319.75	-	49,319.75	-	49,319.75					
Borrowing (other than debt securities)	1,167,114.29	-	1,167,114.29	-	1,167,114.29	823,391.94	-	823,391.94	-	823,391.94
Other financial liabilities	539.96	-	539.96	-	539.96	809.83	-	809.83	-	809.83
Total financial liabilities	**1,217,084.31**	**-**	**1,217,084.31**	**-**	**1,217,084.31**	**824,274.21**	**-**	**824,274.21**	**-**	**824,274.21**

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	
	31.03.2020	31.03.2019	31.03.2020	31.03.2019
Notional Principal (Gross)	570000.00	231500.00	4438500.00	2210000.00
Marked to Market Positions	(4750.30)	(413.21)	(162.46)	(929.66)
Max. of 100 * PV01 observed during the year	8981.00	1765.02	2259.20	1894.59
Min. of 100 * PV01 observed during the year	905.90	414.28	7.90	15.46
Market Risk	In the event of 100 basis points adverse movement in interest rate there will be a negative impact of Rs. 8,309.86 lacs (prev. year Rs. 1440 lacs) on Hedging Swaps and Rs. 1,244.69 lacs (prev. year Rs. 1000 lacs) on Trading Swaps in Swap Book. The losses, which would be incurred if, counter parties fail to fulfill their obligations works out to Rs. NIL lacs (prev. year Rs. 1.28 lacs) The Company's exposure with regard to outstanding swap transactions is limited to banks and CCIL.			
Collateral	No Collateral is insisted upon from counterpart			
Credit Risk Concentration	Rs. 2835.71 lacs (Prev. Year Rs. 1191.26 lacs))			

NOTE 43: ISSUER COMPOSITIONS OF INVESTEMENTS IN NON-GOVERNMENT SECURITIES

As on March 31, 2020, the total stock of Rs. 12,87,542.29 lacs (P.Y. Rs. 8,80,469.93 lacs) (Book Value before providing diminution/appreciation) comprises of

- Govt. Securities (including T. Bills) -Rs. 11,36,624.24 lacs (prev. year Rs. 6,57,613.50 lacs),
- Equity Instruments -Rs. NIL lacs (prev. year Rs. 269.01 lacs),
- Money Market instruments -Rs. 9,504.35 lacs (prev. year Rs. 64,750.32 lacs),
- Corporate Bonds and Debentures -Rs. 1,41,413.70 lacs (prev. year Rs. 1,57,837.10 lacs) &
- Mutual Fund Units -Rs. NIL lacs (prev. year Rs. NIL lacs).

The Book Value (before providing diminution/appreciation) of Non-Government Securities comprises of

- AAA rated - Rs. 1,31,935.82 lacs (prev. year Rs. 1,39,507.03 lacs)

- AA+ rated bonds -Rs. 5,000.00 lacs (prev. year Rs. 8,512.74 lacs)
- AA rated bonds - Rs. 2,150.03 lacs (prev year Rs. 2,327.84 lacs)
- A+ rated bonds -Rs. NIL lacs (prev year Rs. 2,480.94 lacs)
- A1+ rated Bank CDs. - Rs 9,504.35 lacs (prev. year Rs. 64,750.32 lacs)
- A rated bonds -Rs. 2,327.85 lacs (prev year Rs. 5,008.55 lacs)

The ratings of the following bonds have declined as under:

Issuer Name	Migrated Rating	Rating Action
SREI Equipment Finance Limited	A	AA to A

(₹ in lacs)

Sl. No.	Issuer	Book Value	Extent of Private Placement	Extent of Below Investment Grade Securities	Extent of Unlisted Securities	Extent of Unrated Securities
1	PSUs	43,029.70 (48,342.81)	NA	NA	NA	NA
2	FIs	15,887.31 (9,99.80)	NA	NA	NA	NA
3	Banks	NIL (64,750.32)	NA	NA	NA	NA
4	Other PDs	NIL (NIL)	NA	NA	NA	NA
5	Private Corporates	29,751.89 (11,086.70)	NA	NA	NA	NA
6	Subsidiaries/Joint Ventures	NIL (NIL)	NA	NA	NA	NA
7	Others (NBFCs)	62,249.07 (97,407.80)	NA	NA	NA	NA
8	Provision held towards (-diminution)/ appreciation	45.14 (1,34.94)	NA	NA	NA	NA
	Total	15,09,63.09 (22,25,87.43)	NA	NA	NA	NA

Figures in brackets related to FY 2018-19

NOTE 44: CRAR, NET OWNED FUNDS AND RELATED INFORMATION

Sl. No.	Particulars	Current Year	Prev. Year
i)	CRAR (%)	32.47	36.59
ii)	CRAR – Tier I (Capital (%)	32.47	36.59
iii)	CRAR – Tier II (Capital (%)	NA	NA

Capital Adequacy Ratios as per Ind AS on June 30, 2019, September 30, 2019, December 31, 2019 and March 31, 2020 were 36.33 per cent (P.Y. 47.68 per cent), 24.49 per cent (P.Y. 50.36 per cent), 25.18 per cent (P.Y. 55.14 per cent) and 32.47% per cent (P.Y. 36.59 per cent) respectively as against RBI stipulation of 15 per cent.

Capital Adequacy Ratio as on March 31, 2020 stands at 32.47% 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. 3957.60 lacs as on 31.03.2020).

The Net Owned funds of the Company stand at Rs. 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 2019-20 stands at 19.74%.(P.Y. 2019- 6.11 %) (The net owned funds of the Company have been calculated after deducting unrealized gains amounting to Rs. 3957.60 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	50,08,500.00	24,41,500.00
ii)	Losses which would be incurred if counterparties fail to fulfill their obligations under the agreements	NIL	1.28
iii)	Concentration of credit risk arising from the swaps	2,835.71	1,191.26
iv)	The fair value of the swap book	50,03,587.25	24,40,157.12

Quantitative Disclosures of Interest Rate Swaps for Financial Year 2019-20 are as under:

Sl. No.	Particulars	Current Year	Prev. Year
i)	Derivatives (Notional Principal Amount Outstanding)		
	a) For Hedging	5,70,000.00	2,31,500.00
	b) For Trading	44,38,500.00	22,10,000.00
ii)	Marked to Market Positions		
	a) Asset (+)	93,145.74	35,991.44
	b) Liability (-)	(98,058.49)	(37,334.32)
iii)	Credit Exposures	2,835.71	1,191.26
iv)	Likely impact of one percentage change in interest rate (100* PV01)		
	a) On Hedging Derivatives	8,309.86	1,440.00
	b) On Trading Derivatives	1,244.69	1,000.00
v)	Maximum and Minimum of 100*PV01 observed		
	a) On Hedging Derivatives	8,981.00 & 905.90	1,765.02 & 414.28
	b) On Trading Derivatives	2,259.20 & 7.90	1,894.59 & 15.46

Qualitative Disclosure on risk exposure in derivatives

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.

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 2019-20 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 2019-20 are as under:

S.No.	Particulars	Current Year	Previous Year
i)	Notional Principal Amount of IRF undertaken during the year	98,468.28	2,0811.50
ii)	Notional Principal Amount of IRF outstanding as on 31.03.2020	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)	215.27	217.46
	ii.	Commercial Real estate-		

		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-		
		a. Residential b. Commercial Real Estate	NIL	NIL
b.		Indirect Exposure		
		Fund Based and non fund based exposures on Housing Finance Companies(HFCs)	3,3710.37	4,4167.16

NOTE 46: ASSET LIABILITY MANAGEMENT

FY-2019-20

	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
Liabilities									
Borrowings from Banks	4,44,071.29	2,500.00	-	-	-	-	-	-	4,46,571.29
Market Borrowings	7,20,543.00	19,718.00	2,9601.75	-	-	-	-	-	7,69,862.75
Assets									
Advances / Investments	12,96,461.61	77.77	7,500.00	-	29.62		5,730.66	240.18	13,10,039.84

FY 2018-19

	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 1year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Liabilities									
Borrowings from Banks	3,27,538.97	34000.00	-	2,500.00	-	-	-	-	3,64,038.97
Market Borrowings	4,59,352.97	-	-	-	-	-	-	-	4,59,352.97
Assets									
Advances / Investments	8,86,793.57	-	-	-	22.19	1.50	15.00	1,861.11	8,88,693.37

NOTE 47: Details of Corporate Social Responsibility expenses:

a) Gross amount required to be spent by the Company during the year is Rs.237.99 lacs (P.Y. 255.61 lacs)

b) Amount spent during the year on:

Notes to Financial Statements for the year ended 31st March, 2020

(₹ in lacs)

		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 Prime Minister's National Relief Fund)	- (P.Y. 55.61)	NIL	- (P.Y. 55.61)
(iii)	On purposes other than (i) above (Towards PM Cares Fund)	175.56 (P.Y. NIL)	NIL	175.56 (P.Y. NIL)
(iv)	On purposes other than (i) above (Delhi St Xavier's 85 Charitable Trust)	23.08 (P.Y. NIL)	NIL	23.08 (P.Y. NIL)
(v)	On purposes other than (i) above (Bhagwaan Mahaveer Cancer Hospital & research Center)	18.50 (P.Y. NIL)	NIL	18.50 (P.Y. NIL)
(vi)	On purposes other than (i) above (I Am Gurgaon)	20.85 (P.Y. NIL)	NIL	20.85 (P.Y. NIL)
(vii)	On purposes other than (i) above (Towards Clean Ganga Fund)	- (P.Y. 200.00)	NIL	- (P.Y. 200.00)

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;	Nil	269.01
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	Nil	Nil
Total exposure to capital market	**Nil**	**269.01**

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, 2020
Repo	1,67,214.67 (P.Y. 19,298.85)	8,90,075.57 (P.Y. 3,79,838.13)	6,02,597.72 (P.Y. 2,00,444.30)	7,19,433.34 (P.Y. 3,67,400.89)
Reverse Repo	493.48 (P.Y. 104.00)	96,631.34 (P.Y. 52,061.23)	12,833.26 (P.Y. 8,953.93)	-

NOTE 51: 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 52: Information on all provisions and contingencies booked as expenditure in the statement Profit & Loss:

Particulars	2019-20	2018-19
Provision for (Depreciation)/ Appreciation on investments (stock-in-trade and derivatives)	3,990.46	5717.68
Provision towards NPA	Nil	Nil
Provision towards Income Tax and Deferred Tax	6345.11	3,016.29
Others (Expense Related)	369.63	82.40
Provision for Standard Assets	Nil	Nil

NOTE 53 : Investments (Stock-In-Trade)

Particulars	Current Year	Previous Year
Gross Value of Investments		
(a) In India	12,87,542.29	8,80,469.93
(b) Outside India	-	-
Provision for (Depreciation)/ Appreciation		
(a) In India	8,909.11	1,301.64
(b) Outside India	-	-
Net Value of Investments		
(c) In India	12,96,451.40	8,81,771.57
(d) Outside India	-	-

Notes to Financial Statements for the year ended 31st March, 2020

(₹ in lacs)

NOTE 54: Disclosure of penalties

Penalties levied by Regulators (i.e. RBI): Rs. NIL (P.Y.: Rs. 0.50 lacs)

NOTE 55: Disclosures in compliance with Regulation 52(4) of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 for the year ended March 31, 2020

a. Credit Rating and change in Credit Rating (if any)

Rating Agencies	Rating Programme	Rating Assigned	Migration	Rating Amount	
				31.03.2020	31.03.2019
CRISIL	Short Term Commercial Paper	A1+	-	50,000.00	25,000.00
ICRA	Short Term Commercial Paper	A1+	-	50,000.00	50,000.00

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, 2020 is 11.20:1.

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 outstanding Commercial Papers Borrowing (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, 2020 stands at Rs. 1,04,190.15 lacs

k. The Net Profit after Tax as on March 31, 2020 is Rs. 18,635.46 lacs. The total comprehensive income amounts to Rs. 18,520.27 lacs.

l. As on March 31, 2020, the Earnings per share is Rs. 10.35/-

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	212.35	24,787.65	06.03.2020	Paid	-	-	06.03.2020	Paid	-	-
Listed			-	-	14.05.2020	282.00	-	-	14.05.2020	19718.00
Listed			-	-	05.06.2020	398.25	-	-	05.06.2020	29601.75

NOTE 56: COVID-19 IMPACT

During the year ended, March 31, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. On March 24, 2020, the Indian Government announced a strict 21 day lockdown across the country to contain the spread of the virus followed by other extensions. Primary Dealership business was a permitted activity during this period. Accordingly, the Company has faced no business stoppage/interruptions on account of the lockdown. Based on facts and circumstances, the Company does not anticipate any material uncertainties which affect its liquidity position or its ability to continue as a going concern. Also, the Company has proper disaster recovery site in Mumbai and Near Disaster Recovery Site in Gurugram. Therefore, the Company is well prepared for any emergency situation.

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

Sd/-	Sd/-	Sd/-	Sd/-
(Vishesh Kumar Srivastava)	**(Vikas Goel)**	**(Sunita Gupta)**	**(Monika Kochar)**
Director	Managing Director & CEO	Executive Director & CFO	Company Secretary
DIN: 07234326	DIN: 08322541	DIN: 06902258	Membership No. F6514

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

Sd/-
(CA. Kanti Kumar Gupta)
Partner
Membership No. 071615

Date : June 04, 2020
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)

	Particulars		
	Liabilities Side :		
(1)	**Loans and advances availed by the non-banking financial company inclusive of Interest accrued thereon but not paid:**	**Amount outstanding**	**Amount overdue**
	(a) Debentures : Secured	-	-
	: Unsecured	-	-
	(Other than falling within the meaning of public deposits*)		
	(b) Deferred Credits	-	-
	(c) Term Loans	-	-
	(d) Inter-Corporate loans and borrowing	-	-
	(e) Commercial Paper	-	-
	(f) Other Loans (specify nature)	**1,216,434.04**	-
	Secured Loans		
	1 Borrowings from RBI	171,772.00	-
	2 CBLO Borrowings	1,109.66	-
	3. Repo Borrowing	719,433.34	-
	4. Line of Credit from PNB	92,999.29	-
	Unsecured Loans		
	1 Call Money Borrowings	181,800.00	-
	2. Commercial Paper Borrowings	49,319.75	-
	* 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	240.18	-
	(b) Unsecured	7504.66	-
(3)	**Break up of leased Assets and stock on hire and other assets counting towards AFC activities**	NA	NA
	(i) Lease assets including lease rentals under sundry debtors :		
	(a) Financial lease	-	-
	(b) Operating lease	-	-

(₹ in lacs)

(ii) Stock on hire including hire charges under sundry debtors :		
(a) Assets on hire	-	-
(b) Repossessed Assets	-	-
(iii) Other loans counting towards AFC actitivites	-	-
(a) Loans where assets have been repossessed	-	-
(b) Loans other than (a) above	-	-
(4) Break-up of Investments / Stock-in-trade :	**Amount outstanding**	
Current investments (Stock-in-trade):		
1. Quoted :		
(i) Shares : (a) Equity	-	-
(b) Preference	-	-
(ii) Debentures and Bonds	141,413.70	(Market Value Rs. 1,41,440.74 lacs)
(iii) Units of mutual funds	-	-
(iv) Government Securities	1,136,624.34	(Market Value Rs. 11,45,488.31 lacs)
(v) Others (Please specify) CPs	9,504.25	(Market Value Rs.9,522.35 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)	-	-
2. Unquoted :		
(i) Shares : (a) Equity	-	-
(b) Preference	-	-
(ii) Debentures and Bonds	-	-
(iii) Units of Mutual Funds	-	-

(₹ in lacs)

(iv) Government Securities	-	-
(v) Others (please specify)	-	-
(Term Deposit)		
TOTAL :	**1,287,542.29**	

(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:	-	-

Note: Loans & Advances given in Col. 2 above are Staff Advances & Security Deposits, hence do not fall in this category and not disclosed.

(6) **Investor group-wise classification of all investments (current and long term) in shares and Securities (both quoted and unquoted) :**
(Please see note 3 below)

Category	**Market Value/ Break up or fair value or NAV**	**Book Value**
1. Related Parties **	-	-
(a) Subsidiaries	-	-
(b) Companies in the same group	-	-
(c) Other related parties	-	-
2. Other than related parties	1,296,451.40	1,287,542.29
TOTAL :	**1,296,451.40**	**1,287,542.29**

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

(7) Other Information

Particulars	**Amount**	
(i) Gross Non-Performing Assets	-	-
(a) Related Parties	-	-
(b) Other than related parties	-	-

(₹ in lacs)

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

Notes :

1 As defined in paragraph 2 (1)(xii) of the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998.

2 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

Sd/-	Sd/-	Sd/-	Sd/-
(Vishesh Kumar Srivastava)	**(Vikas Goel)**	**(Sunita Gupta)**	**(Monika Kochar)**
Director	Managing Director & CEO	Executive Director & CFO	Company Secretary
DIN: 07234326	DIN: 08322541	DIN: 06902258	Membership No. F6514

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

Sd/-
(CA. Kanti Kumar Gupta)
Partner
Membership No. 071615

Date : June 04, 2020
Place : New Delhi
Regd Off : 5, Sansad Marg, New Delhi – 110001

FINANCIALS AT A GLANCE

FINANCIAL PARAMETERS

	2019-20 (%)	2018-19 (%)
Financial Performance		
Interest Income/ Total Income	86.84	97.16
Trading Income/ Total Income	12.63	1.77
Other Income/ Total Income	0.04	0.04
Interest Expense/ Total Income	58.83	79.41
Interest Expense/ Total Expense	94.14	94.93
Establishment Expense/ Total Expense	2.08	1.68
Admn and other Expense/ Total Expense	3.77	3.39
PBT/ Total Income	28.30	16.34
PAT/ Total Income	21.11	10.40
Human Assets		
Security Turnover per employee ((₹) Crore)	21417.65	13462.80
Profit before tax per employee (₹ crore)	6.25	2.37
Average Age of the employees (years)	40.00	40.00
Per Share Data		
Earnings Per Share (₹)	10.35	2.94
Cash Earnings Per Share (₹)	8.22	(0.21)
Book Value Per Share (₹)	55.67	49.20
Price Earnings, end of year (₹)	2.31	10.80
Price/ Cash Earnings, end of year (₹)	2.91	(151.19)
Price/ Book Value, end of year (₹)	0.43	0.65
Dividend Per Share (₹)	3.00	1.40

Financials: Last 10 Years

(₹ in crore)

Financials \ Financial Year	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
TOTAL INCOME	**103.09**	**165.30**	**288.65**	**346.26**	**410.01**	**343.42**	**500.54**	**351.48**	**508.01**	**882.6**
I Interest & Discount on Securities	108.19	175.28	244.37	304.12	332.91	359.06	313.74	400.81	493.58	766.46
II Profit/(Loss) on Sale of Securities	(11.28)	(14.51)	40.06	31.41	75.85	(16.90)	185.50	(50.96)	9.00	111.50
III Revenue & Other Income	6.18	4.53	4.22	10.73	1.25	1.26	1.30	1.63	5.43	4.64
EXPENDITURE	**59.05**	**135.66**	**199.88**	**255.56**	**277.47**	**291.95**	**244.00**	**350.16**	**424.99**	**551.58**
I Interest Expenses	51.57	125.67	188.65	242.67	260.51	275.62	225.72	330.72	403.44	519.26
II Operating & Other Expenses	6.56	9.08	10.53	12.34	16.03	15.86	17.94	18.95	21.13	30.87
III Depreciation on fixed assets & ROUA	0.91	0.91	0.70	0.55	0.93	0.47	0.34	0.49	0.42	1.45
IV Bad debts written off	0.01	-	-	-	-	-	-	-	-	-
Exceptional items	-	-	-	-	-	-	-	-	-	81.22
PROFIT BEFORE TAX	**44.04**	**29.64**	**88.77**	**90.70**	**132.55**	**51.47**	**256.54**	**1.32**	**83.02**	**249.80**
Less Prov. / (Release) for Taxation	13.47	8.59	27.52	29.32	44.28	16.98	89.37	(0.09)	30.16	63.45
PROFIT AFTER TAX	**30.58**	**21.05**	**61.25**	**61.38**	**88.27**	**34.50**	**167.17**	**1.41**	**52.86**	**186.35**
PAID UP CAPITAL	135.01	135.01	135.01	180.01	180.01	180.01	180.01	180.01	180.01	180.01
RESERVES	437.28	442.64	488.08	485.51	541.00	551.67	718.84	677.06	707.66	862.52
NET WORTH	**568.92**	**574.69**	**620.08**	**662.53**	**718.06**	**731.22**	**898.36**	**843.23**	**885.66**	**1002.19**
Turnover (Primary + Secondary)	87858	249382	241137	344239	511329	413787	686167	473384	471198	856706
Dividend(%)	12	10	10	9	15	11	25	10	14	30

NOTICE

PNB Gilts Ltd.
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 24th Annual General Meeting (AGM) of members of PNB Gilts Limited ("the Company") will be held on Wednesday, September 30, 2020, at 10:30 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, 2020 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, 2020.

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 2020-21 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 2020-21."

SPECIAL BUSINESS

5. To approve alteration in Articles of Association of the Company and in this regard to consider and thought fit, to pass the following resolution as a Special Resolution:

   "RESOLVED THAT pursuant to the provisions of Sections 5, 14 and other applicable provisions, if any, of Companies Act, 2013, ("the Act") read with the Companies (Incorporation) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force), Article 98(2) of Articles of Association of the Company be and is hereby amended and substituted with the following Article:

   "The Chairman or Managing Director & Chief Executive Officer or Executive Director of Punjab National Bank, as decided by Punjab National Bank, shall always be Chairman of Board of Directors, if he is a Director on Board. If such a person is not a Director, the Directors shall elect a Chairman of Board of Directors."

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

By Order of the Board of Directors

September 4, 2020
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

NOTES :

1. In view of the continuing Covid-19 pandemic, the Ministry of Corporate Affairs ("MCA") has vide its circular dated May 5, 2020 read with circulars dated April 8, 2020 and April 13, 2020 (collectively referred to as "MCA Circulars") 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") and MCA Circulars, the AGM of the Company is being held through VC / OAVM.

2. In compliance with MCA Circular No. 20/2020 dated May 5, 2020 and SEBI Circular No. SEBI/HO/ CFD/CMD1/ CIR/P/2020/79 dated May 12, 2020 and owing to the difficulties involved in dispatching of physical copies of the financial statements including Board's Report, Auditor's report or other documents required to be attached therewith (together referred to as Annual Report FY20) and Notice of AGM are being sent in electronic mode to Members whose e-mail address is registered with the Company or the Depository Participant(s). Members may note that the Notice and Annual Report 2019-20 will also be available on the Company's website www.pnbgilts.com, websites of the Stock Exchanges i.e. BSE Limited and National Stock Exchange of India Limited at www.bseindia.com and www.nseindia.com respectively, and on the website of 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 the Saturday, September 5, 2020 as the 'Record Date' for determining the entitlement of members to receive the Final Dividend for the Financial Year 2019-20, if declared at the 24th 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 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 5, 2020 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 5, 2020.

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 upon normalization of the postal services. 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.

   For the purpose of such registration with the Company's Share Transfer Agent following information/ documents shall be required:

   1. Name of the Shareholder
   2. Address of the Shareholder
   3. Folio No
   4. Email ID
   5. Self-attested copy of PAN Card; and
   6. Original Cancelled Cheque leaf duly displaying name of the account holder / Bank Passbook showing IFSC Code, Bank Account Number and Name of the Account Holder duly attested by the Bank.

10. 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.

11. 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.

    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– helpdeskdelhi@mcsregistrars.com

12. 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 ₹ 487076/- and ₹ 517896/-, being the unpaid/ unclaimed dividend amount pertaining to Final Dividend 2011-12 and Final Dividend 2012-13 on September 19, 2019 and August 13, 2020 to the IEPF during 2019-20 and 2020-21(till date).

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.

13. 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, 31443 Equity Shares of ₹ 10/- each on which the dividend remained unpaid or unclaimed for seven consecutive years with reference to the due date of August 31, 2019, were transferred during the year 2019-20 to the IEPF Account, after following the prescribed procedure. Similarly, 141 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 23, 2020, were transferred during the year 2020-21(till date) 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.

14. 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. None of Directors, seeking appointment/re-appointment at the Annual General Meeting, is debarred from being appointed as a Director pursuant to order of SEBI or any other authority.

15. Members attending the AGM through VC shall be counted for the purpose of reckoning the quorum under Section 103 of the Act.

16. 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 admin@mcsregistrars.com. 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 admin@mcsregistrars.com.

17. SEBI vide amendment in the Regulation 40 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, dated June 8, 2018, mandated that the transfer of securities would be carried out in dematerialized form only w.e.f. December 5, 2018, which was further extended to April 01, 2019 vide notification dated December 03, 2018. In purview of the above notification from 1st April, 2019 Company didn't allowed/approved any transfer of Physical Securities. Thus, members are further advised to get their securities dematerialized.

18. 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.

19. 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 24th AGM through the e-voting services provided by National Securities Depository Limited (NSDL).

II. The remote e-voting period commences on September 26, 2020 (9:00 a.m.) and ends on September 29, 2020 (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 23, 2020, 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, 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 may obtain the login ID and password by sending a request at evoting@nsdl.co.in or Issuer/STA. However, if you are already registered with NSDL for remote e-voting then you can use your existing user ID and password for casting your vote. If you forgot your password, you can reset your password by using "Forgot User Details/Password" or "Physical User Reset Password?" option available on www. evoting.nsdl.com or contact NSDL at the toll free no.: 1800-222-990.

VIII. The process and manner for remote e-voting are as under:

Step 1 : Log-in to NSDL e-Voting system at https://www.evoting.nsdl.com/

Step 2 : Cast your vote electronically on NSDL e-Voting system.

Details on Step 1 is mentioned below:

How to Log-in to NSDL e-Voting website?

1. 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.
2. Once the home page of e-Voting system is launched, click on the icon "Login" which is available under 'Shareholders' section.
3. A new screen will open. You will have to enter your User ID, your Password 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. Your password details are given below:

a) If you are already registered for e-Voting, then you can use your existing password to login and cast your vote.

b) 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.

c) How to retrieve your 'initial password'?

i. 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. .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'.

ii. In case you have not registered your email address with the Company/ Depository, please follow instructions mentioned below in this notice.

6. If you are unable to retrieve or have not received the "initial password" or have forgotten your password:

a) 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.

b) Physical User Reset Password?" (If you are holding shares in physical mode) option available on 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 mentioning your demat account number/folio number, your PAN, your name and your registered address.

c) Members can also use the one-time password (OTP) based login for casting the votes on the e-Voting system of NSDL

7. After entering your password, tick on Agree to "Terms and Conditions" by selecting on the check box.

8. Now, you will have to click on "Login" button.

9. After you click on the "Login" button, Home page of e-Voting will open.

Details on Step 2 is mentioned below:

How to cast your vote electronically on NSDL e-Voting system?

1. After successful login at Step 1, you will be able to see the Home page of e-Voting. Click on e-Voting. Then, click on Active Voting Cycles.

2. After click on Active Voting Cycles, you will be able to see all the companies "EVEN" in which you are holding shares and whose voting cycle is in active status.
3. Select "EVEN" of the Company.
4. Now you are ready for e-Voting as the Voting page opens.
5. 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.
6. Upon confirmation, the message "Vote cast successfully" will be displayed.
7. You can also take the printout of the votes cast by you by clicking on the print option on the confirmation page.
8. 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 to reset the password.
3. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Members and e-voting user manual for Members available at the download section of www.evoting.nsdl.com or call on toll free no.: 1800-222-990 or send a request at evoting@nsdl.co.in. In case of any grievances connected with facility of evoting, please contact Ms. Pallavi Mhatre, Assistant 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/evoting@nsdl.co.in or at telephone no. +91 22 2499 4545.

Process for registration of email id for obtaining Annual Report and user id/password for e-voting and updation of bank account mandate for receipt of dividend:

Physical Holding	Send a request to the Registrar and Transfer Agents of the Company, MCS Share Transfer Agent Limited at admin@mcsregistrars.com 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. Following additional details need to be provided in case of updating Bank Account Details: a) Name and Branch of the Bank in which you wish to receive the dividend; b) the Bank Account type; c) Bank Account Number allotted by their banks after implementation of Core Banking Solutions; d) 9 digit MICR Code Number; e) 11 digit IFSC Code; and f) a scanned copy of the cancelled cheque bearing the name of the first shareholder.
Demat Holding	Please contact your Depository Participant (DP) and register your email address and bank account details in your demat account, as per the process advised by your DP.

b. INSTRUCTIONS FOR MEMBERS FOR ATTENDING THE AGM THROUGH VC ARE AS UNDER:

1. *Members will be able to attend the AGM through VC provided by NSDL at https://www.evoting.nsdl.com by using their remote e-voting login credentials and selecting the EVEN for Company's AGM.*

   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. Further Members can also use the OTP based login for logging into the e-voting system of NSDL.
2. *Facility of joining the AGM through VC shall open 30 minutes before and after the scheduled time of the commencement of AGM. 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 members connecting from mobile devices or tablets or through laptos 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 connections to mitigate any kind of aforesaid glitches.*
6. *Members who need assistance before or during the AGM, can contact NSDL on evoting@nsdl.co.in/ 1800-222-990 or contact Mr. Amit Vishal, Senior Manager – NSDL at amitv@nsdl.co.in/ 022-24994360/ +91 9920264780 or Mr. Sagar Ghosalkar, Assistant manager- NSDL at sagar.ghosalkar@nsdl.co.in/ 022-24994553/ +91 9326781467.*

c. 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.

d. 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 Tuesday, September 22, 2020 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 Tuesday, September 22, 2020. 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 question during the AGM by using communication box facility that will be appearing on the screen at the AGM.

4. The Company reserves the right to restrict the number of questions and number of speakers, depending on the availability of time for the AGM as appropriate for smooth conduct of the AGM.

20. 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.

21. 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

As per existing Article 98(2) of Articles of Association (AoA) of the Company, "The Chairman or Managing Director and/or Chief Executive Officer of Punjab National Bank, as decided by Punjab National Bank, shall always be Chairman of the Board of Directors, if he is a Director on Board. If such a person is not a Director, the Directors shall elect a Chairman of Board of Directors."

In this connection, the Company has received a request from Punjab National Bank (PNB), parent bank for amendment of Article 98(2) of the Articles of Association of the Company which deals with Chairman of the Board for the purpose of operational convenience.

The request was deliberated at length by the Board of Directors of the Company at their meeting held on July 21, 2020 and a recommendation has been made to the shareholders of the Company for alteration in AoA of the Company and substitute the existing clause 98(2) with the new clause as detailed in the resolution.

Copy of the draft AoA of the Company can also be obtained for inspection by writing to the Company at its email id m.kochar@pnbgilts.com till the date of the meeting.

The Board of Directors recommends this resolution for the approval of members as a special resolution.

None of the Directors or Key Managerial Personnel of the Company and/or their relatives is concerned or interested, financially or otherwise, in the resolution set out at Item No. 5 of the Notice

By Order of the Board of Directors

September 4, 2020
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. Vikas Goel
Date of Birth (Age)	11/06/1966 (54)
Nationality	Indian
Date of first Appointment on Board of Company	01/02/2019
Qualifications	B.Com (H), MBA (Fin. & Mktg.)
Experience/Expertise in Specific functional Area	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.
Directorship held in other Companies	Primary Dealers' Association of India
Chairperson / Member of the Committee of the Board of Directors of the Company	Member of the following Committees - • CSR Committee • Stakeholders' Relationship Committee • Risk Management Committee • Share Transfer and Issue of Duplicate Shares Certificates Committee • Committee of Directors for Operational Matters • Commercial Paper Issue Committee
Membership/ Chairmanship of Committee of other Companies	Nil
Number of Board/ Committee Meetings attended during the year	During the year 2019-20, he attended all the following held during the year - • 5 Board meetings • 2 CSR Committee meetings • 4 Stakeholders' Relationship Committee meetings • 4 Risk Management Committee meetings • 26 Share Transfer and Issue of Duplicate Shares Committee meetings.
Number of Shares Held either directly or for beneficial basis for any other person	Nil
Terms & Conditions of Appointment/ Reappointment	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	For remuneration paid in FY 2019-20, Refer Report on Corporate Governance of Board's Report
Relationship with other Directors, Manager and KMPs of the company	Nil

E-COMMUNICATION REGISTRATION FORM*

(For Shareholders Holding Shares in Physical Form)

To,
MCS Share Transfer Agent Ltd.
(Unit : PNB GILTS)
F-65, 1st Floor, Okhla Industrial Area
Phase-1, New Delhi-110020.

Dear Sir,

REG : Green Initiative in Corporate Governance

I agree to receive all communication from the company in electronic mode. Please register my e-mail id in your records for sending communication through e-mail.

Folio No. : .....

Name of 1st Registered Holder (In Block Letters) : .....

Name of Joint Holder(s) (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) so that punching errors be avoided at the time of feeding of information in the system, which will be done on receipt of duly signed format.

Important Notes :

1) On registration, all the communication will be sent to the e-mail ID registered in the folio.

2) The form is also available on the website of the company www.pnbgilts.com

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

Notes

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

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

8th Floor, Gujarat Bhavan,
Behind Devnandan Mall, Opp. Sanyas Ashram,
Ellisbridge, Ahmedabad - 380006
Tele : 079-27544245, 27542455
Fax : 079-27541808