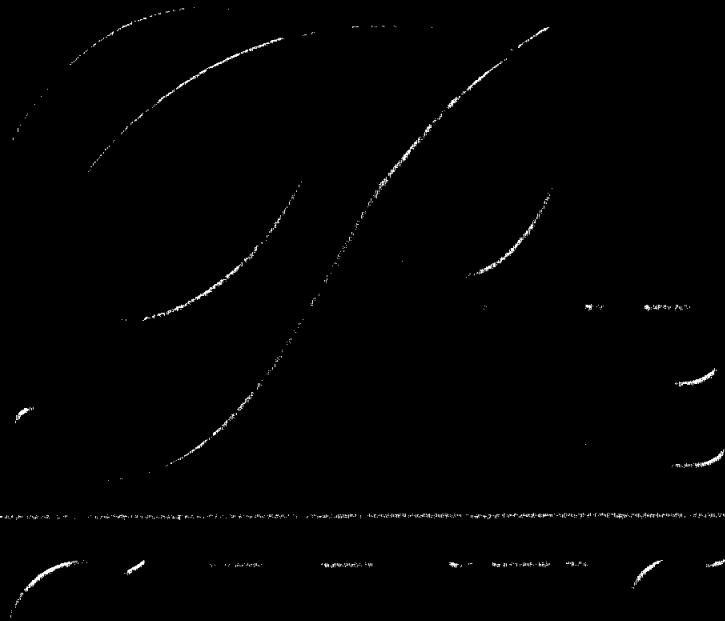


Annual Report 2001 - 2002

With a strong focus on customer service, PNB Gilts Ltd. has established a reputation for providing high quality, reliable and secure investment solutions. The company's commitment to excellence is reflected in its ISO 9002 certification, which is a testament to its commitment to quality.



The graph illustrates the performance of PNB Gilts Ltd. over the period from 1999 to 2001. The company's performance is shown to be consistently above the market index and benchmark, indicating a strong track record of investment performance.

Report Junction.com

Report Junction.com is a leading provider of financial and business information, offering a comprehensive range of services to its clients. The company's commitment to excellence is reflected in its ISO 9002 certification, which is a testament to its commitment to quality.



BOARD OF DIRECTORS

Sh. S.S. Kohli, Chairman
 Sh. T.S. Narayanasami, Director
 Dr. O.P. Chawla, Director
 Dr. Kamal Gupta, Director
 Sh. S.K. Soni, Director
 Sh. S.K. Awasthi, Director
 Sh. Arun Kaul, Managing Director

STATUTORY AUDITORS

Bhushan Bensal Jain Associates
 Chartered Accountants
 4648/21, Darya Ganj
 New Delhi - 110 002

INTERNAL AUDITORS

Ernst & Young Pvt. Ltd.
 New Delhi

BANKERS

Reserve Bank of India
 Punjab National Bank

REGISTERED CUM CORPORATE OFFICE

5, Sansad Marg, New Delhi - 110 001.
 Tel: 011-332 5759/332 5779
 Fax: (011)-3325751
 E-mail: pnbgilts@del2.vsnl.net.in
 Website : www.pnbgilts.com

BRANCHES

PNB House, Sir P.M. Road,
 Fort, Mumbai - 400 001.
 Tel: 022-2691812/2693314/15
 Fax No. 022-2691811/2692248

Sudershan Building,
 14, Whites Road,
 Chennai - 600 014.
 Tel: 044-8591750/51
 Fax No. 044-8591751

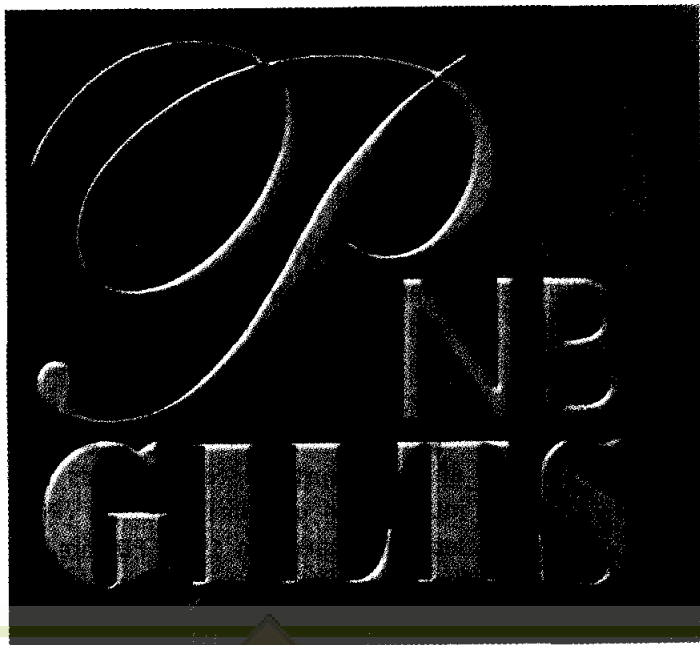
6A, Clive Row,
 Kolkatta - 700 001.
 Tele. 033-2210394/2210395
 Fax No. 033-2210378

Kumkum Building,
 Near Panchwati, C.G. Road,
 Ahmedabad - 380 006.
 Tel: 079-6423037
 Fax No. 079-6423106

PNB Gilts Ltd.
 Vokkaligara Sangha Building,
 Hudson Circle,
 Bangalore - 560 027
 Tel.: 212 7883, 212 7884

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Continuing Excellence

Letter To Shareholders

Dear Shareholders,

Government securities market constitutes the backbone of most fixed income markets across the world. The development of a deep and liquid government securities market facilitates public borrowings at reasonable costs and reduces automatic monetisation of government deficit by the central bank. One of the important steps towards this direction was the introduction of Primary dealers (PDs) in the government securities market in 1996. PDs are a class of non banking financial institutions, with a two pronged objectives of developing underwriting abilities for primary issuance of government securities and to develop the secondary market for government securities by acting as market makers.

In a short span of 6 years, the contribution of primary dealers in the development of government securities market has been phenomenal. The secondary market trading in government securities has increased manifold from a miniscule Rs 30,000 crore in 1995-96 to more than Rs 11,00,000 crore in 2001-02. This explosive growth in gilts market has enabled the government to borrow larger amounts for longer durations and at lower interest rates. PDs are now a well known entity in the financial system backed by strong balance sheets and professional management. There are now 19 active PDs against the original 6 licensed in 1996.

Your company was one of the original 6 PDs licensed by RBI. Since inception, it has





PNB GILTS LTD.

5, Sansad Marg, New Delhi - 110 001.

FORM OF PROXY

I/We.....of.....in this district of.....being
a member/members of the above-named company, hereby appoint.....
of.....in the district of..... or failing himof
.....in the district of..... as my/our proxy to vote for me/us on
my/our behalf at the 6th annual general meeting of the company to be held on the 24th day of
July 2002 and at any adjournment thereof.

Signed this..... day of.....2002.

1 Re
Revenue
Stamp

Notes:

1. Proxy need not be a member.
2. Proxy form duly signed across revenue stamp should reach Company's Registered Office atleast 48 hours before the time of the meeting.
3. The Company reserves the right to ask for identification of the proxy.
4. Proxy cannot speak at the meeting or vote on a show of hands.

----- ✂ -----



Date 24/7/02
Time 1530 hrs.
Venue FICCI Auditorium

PNB GILTS LTD.

5, Sansad Marg, New Delhi - 110 001.

ATTENDANCE SLIP FOR ANNUAL GENERAL MEETING

Regd. Folio No.....No. of Shares held.....

DP. ID. No.....Client ID. No.No. of Shares held.....

I certify that I am a member/ proxy for the member of the Company.

I hereby record my presence at the Sixth Annual General Meeting of the Company at FICCI Auditorium,
Federation House, Tansen Marg, New Delhi at 1530 hrs on Wednesday 24th July 2002.

.....

Member's/Proxy's name in Block Letter

.....

Signature of Member/Proxy

Note:

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



IN YOUR INTEREST

Dear Shareholder,

I Sub: Dematerialisation of share certificates.

As per SEBI Guidelines, PNB Gilt shares must be traded in DEMAT form only. DEMAT is an electronic form of shares, as opposed to physical share certificates.

In addition to the SEBI requirement, this format is beneficial to you in other ways as well;

- It ensures there are 'NO BAD' deliveries;
- It results in immediate transfer of shares;
- There is no stamp duty on transfer of shares;
- It eliminates risk associated with physical certificates such as loss, theft, mutilation, forgery, etc;
- It reduces transaction cost;
- It facilitates trading in odd lot of shares.

We reiterate that PNB Gilt share can not be sold through the Stock Exchange in physical form.

As such we request you to get your shares dematerialised for smooth trading and safe custody.

II Sub: Consolidation of folios under the same name or the same order of names

Certain shareholders of the Company are holding multiple folios in their name as appearing in the Register of Members of the Company. We suggest consolidation of these folios into one single folio, as it has many advantages viz:

- Easy monitoring of your investments;
- Reduced maintenance of records for Dividend, Annual Reports and other shareholder's entitlements;
- Mitigation of loss in transit of shareholder's benefits such as Dividends, Annual Reports etc;
- Cost effective dematerialization of share certificates.

In acceptance to this proposal, the shareholders are requested to do the following:

- Provide folio no. into which total holding should be consolidated.
- Send original share certificates to us.

Please direct all your correspondence with regards to the above, to our Transfer Agents:

For any clarification, we are available for your assistance at the following:

M/s MCS LTD.
Sri Venkatesh Bhawan, 212-A, Shahpur
Jat, Behind Panchseel Club, New Delhi 110 048
E-Mail: mcsdel@vsnl.com
Telephone No.: +91 011 6494830
Fax No.: +91 011 6494152

Contact Person: Ms. Monika Kalia, CS
E-mail ID: pnbgilts@del2.vsnl.net.in.
Telephone No.: +91 011 3325779, 3325759
Fax No.: +91 011 3325751

Yours sincerely,

Date : 14th June, 2002
Place : New Delhi

Arun Kaul
Managing Director

Notice

NOTICE is hereby given that the **SIXTH** Annual General Meeting of the Members of **PNB GILTS LIMITED** will be held at FICCI Auditorium, Federation House, Tansen Marg, New Delhi 110 001 on July 24, 2002, at 1530 hours to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2002 and Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To declare dividend on Equity Shares for the year ended 31st March, 2002.
3. To appoint a Director in place of Dr. O.P.Chawla, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Sh. Arun Kaul, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint Auditors for the year 2002-2003 and fix their remuneration.

SPECIAL BUSINESS

Appointment of Director

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

"RESOLVED THAT Sh. S.K.Soni, Ex- CMD, Oriental Bank of Commerce, who has been co-opted as Director of the company and who in terms of Section 260 of the Companies Act, 1956 holds office as Additional Director until this Annual General Meeting, and for the appointment of whom the company has received a notice under Section 257 of the Companies Act, 1956 from a member proposing his candidature for the office of the Director, be and is hereby appointed as Director of the Company whose period of office will be liable to determination by retirement by rotation."

Reappointment of Managing Director

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

"RESOLVED THAT in terms of Section 269, section 309 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 and Article 132-134 of the Articles of Association of the company, the consent of the company be and is hereby accorded to reappointment of Sh. Arun Kaul as the Managing Director of the company for a period of three years w.e.f. 1/9/2001 on the terms and conditions as set out in the Explanatory Statement annexed to the notice."

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

Place : Registered Office:
PNB Gilts Ltd.
5, Sansad Marg,
New Delhi - 110 001

Date : June 14, 2002

BY ORDER OF THE BOARD

(Monika Kalia)
Company Secretary

NOTES FOR MEMBERS' ATTENTION :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
2. THE INSTRUMENT APPOINTING PROXY SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
3. An Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, relating to Special Business to be transacted at the meeting, is annexed hereto.

Notice

4. The Register of Members and Share Transfer Books of the company will remain closed from Thursday 18th July 2002 to Wednesday 24th July 2002 (both days inclusive) for the purpose of payment of dividend.
5. The dividend, as recommended by the Board, if sanctioned at the meeting, will be paid on or after 24th July, 2002 to those members or their mandates whose names stand registered on the Company's Register of Members :-
 - a) As Beneficial Owners as at the end of the business on 17th July, 2002, as per the lists to be furnished by National Securities Depository Limited and Central Depository Services (India) Limited in respect of the shares held in electronic form, and
 - b) As Members in the Register of Members of the company after giving effect to valid share transfers in physical form lodged with the company on or before 17th July, 2002.
6. Members are requested to notify the Company change of address, if any, with pincode, quoting reference of their folio number.
In case the mailing address mentioned on this Annual Report is without the PINCODE, members are requested to kindly inform their PINCODE immediately.
7. The members holding shares in the dematerialised mode are requested to intimate all changes with respect to their bank details, mandate, nomination, power of attorney, etc. to their depository participant (DP). These changes will be automatically reflected in the Company's records which will help the company to provide efficient and better service to members.
8. Under the provisions of Section 109A and 109B of the Companies Act, 1956, every individual member is entitled to nominate in the prescribed manner, a person to whom his/her shares in the Company, shall vest in the event of his/her death. Members who are interested in availing this nomination facility are requested to write to the company or its registrars.
9. Details under Clause 49 of the Listing Agreement with the Stock Exchanges in respect of Directors seeking appointment/reappointment at the Annual General Meeting, is contained in the Explanatory Statement for the item of Special Business and is separately annexed hereto for the item of Ordinary Business.
10. The Company's shares are listed on the Stock Exchanges at Delhi, Mumbai and National Stock Exchange. The listing fees of these Exchanges have been paid on time.

ANNEXURE TO NOTICE

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

ITEM NO. 6

Sh. S.K.Soni, was co-opted as an Additional Director in the Board Meeting held on January 23, 2002. Under Section 260 read with Article 101 of the Articles of Association of the company, Sh. S.K.Soni vacates the office on the forthcoming Annual General Meeting.

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

Sh. Soni is B.Sc., LLB and CAIIB (I) and has a vast experience of 32 years in various senior capacities in Oriental Bank of Commerce. Sh. Soni retired from Oriental Bank of Commerce as Chairman and Managing Director on 31.10.1996. He was appointed as banking ombudsman w.e.f. 9.11.1998 at New Delhi. The Board considers it desirable that the company should continue to avail services of Sh. S.K. Soni as a Director and accordingly recommends this resolution for approval of members.

None of the Directors except Sh. S.K. Soni is concerned or interested in this item.

ITEM NO. 7

The terms and conditions of reappointment of Managing Director, Sh. Arun Kaul are as under :

The Managing Director shall be vested with powers of management of the Company subject to the supervision and control of the Board of Directors and shall also perform such duties and services as shall from time to time be entrusted to him by the Board. Sh. Kaul was reappointed as Managing Director by the Board in its meeting held on 25.10.2001.

Notice

The appointment shall be for a period of three years effective from 1st September 2001.

The salary, allowance and other perquisites of Sh. Arun Kaul shall be governed by the Service Regulations of Punjab National Bank and any modifications, revision therein, including revision on account of promotion in his cadre that may take place from time to time, subject to the limits prescribed under Schedule XIII of the Companies Act, 1956.

Subject to the aforesaid, the salary, allowances and other perquisites of Shri Arun Kaul as advised by Punjab National Bank shall be as under:

Basic Pay	Rs. 17660-420(4)-19340 p.m.
Present Pay (Basic)	Rs.18920/- p.m.
Fixed Personal Allow.	Rs. 385/- p.m.
Dearness Allowance	As per rates applicable for PNB officers, At present Rs. 4719.28 p.m.
City Compensatory Allowance	6% basic pay, maximum of Rs. 375/- pm.
Deputation Allowance	6% Basic Pay, maximum of Rs. 500/-pm.

Allowances and other perquisites:

- a) Residence: Provided with bank's leased residential accommodation on payment by the officer of 2.5% of the pay in the first stage of the scale of pay in which he is placed or standard rent for the accommodation, which ever is less.
- b) Provided with furniture at residence as per prescribed limits on payments of further sum equal to 0.5 % of the pay in the first stage of the scale of pay.
- c) Conveyance Allowance : Use of company's car for official purpose with the facility of personal use upto 3000 k.m. every half-year on payment of Rs. 150/- p.m. for such use. For use beyond 3000 k.m. every half-year, he shall be required to pay to the Bank at the end of the half-year Re.1/- per k.m. Journeys from residence to office and back is being treated as duty runs.
- d) Entertainment and Club Allowance: Entertainment limit of Rs. 2000/- p.a. is reimbursable against actual entertainment expenses subject, however, to the provision that expenses incurred upto 50% of the limit may be reimbursed on the basis of the certificate by the concerned officer. Admission fee for membership of club/association will be reimbursed subject to limit of Rs. 1000/- Monthly subscription fee subject to a maximum of Rs. 125/- p.m. or Rs.1500/- p.a. will also be reimbursed.
- e) Provident Fund: Contribution to the recognised Provident Fund Trust @ 10% of the basic pay with equal contribution by the employer.
- f) Leave Travel Concession:
 - During each block of four years, shall be eligible for leave travel concession for travel to his home town once in every block of two years. Alternatively, he may travel in one block of two years to his home town and in the other block to any place in India by the shortest route.
 - Once in block of four years, at the time of availing leave travel concession, he may be permitted to surrender and encash privilege leave not exceeding one month at a time. For the purpose of such encashment, all emoluments payable for the month during which the avilment of Leave Travel Concession commences shall be admissible.
 - He may travel by train AC 1st Class or by Air (Economy Class).
 - He may travel by car between places not connected by Air or Rail provided that the distance does not exceed 500 kms. However, when the major part of the distance between the two places can be covered by air or rail, only the rest of the distance should normally be covered by car.
- g) Telephone, Medical and other facilities as per service regulations of the company.

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

None of the Directors except Sh. Arun Kaul is concerned or interested in this item.

Notice

II DETAILS OF DIRECTORS SEEKING REAPPOINTMENT IN SIXTH ANNUAL GENERAL MEETING

ITEM NO. 3 & ITEM NO. 4

Name of Director	Dr. O.P.Chawla	Sh. Arun Kaul
Date of Birth	15/02/34	30/01/56
Date of Appointment	11/04/96	01/09/98
Expertise in specific functional area	Former Director National Institute of Bank Management, Pune	Had held the position of Chief – Investment Division, Punjab National Bank and Managing Director PNB Asset Management Company Ltd.
Qualification	M.Com., Ph.D.	B.Sc.(Hons.), MBA
List of outside Directorships held	S.Kumars Landmarc Leisure Corporation Ltd. Furtex Exports Pvt. Ltd.	Primary Dealers' Association of India
*Chairman/Member of the Committee of the Board of Directors of the company	Member-Audit Committee	Member – Shareholders' Investor Grievance Committee
*Chairman/Member of the Committees of Director of other Companies in which he is a Director		
a) Audit Committee	Chairman-S.Kumars Landmarc Leisure Corporation Ltd.	NIL
b) Shareholders' grievance Committee	NIL	NIL
c) Remuneration Committee	NIL	NIL

*only three committees viz. the audit committee, the shareholders' grievance committee and the remuneration committee are considered for this purpose.

By order of the Board

Place : New Delhi
Date : June 14, 2002

(Monika Kalia)
Company Secretary