

The graphic for the 20th Annual Report features a large, stylized '20' in a gradient of blue and white, with a 'th' in blue. The text is set against a dark blue circular background. The overall design is dynamic, with multiple upward-pointing arrows of various sizes and colors (blue, white, and light blue) emerging from the bottom, set against a background of concentric circles and a dotted pattern.

20th

**ANNUAL REPORT
2015-16**



Smt. Usha Ananthasubramanian
Chairperson



Shri K. V. Brahmaji Rao
Non-Executive Director



Shri S. K. Dubey
Managing Director



Smt. Sunita Gupta
Executive Director & CFO



Dr. Kamal Gupta
Independent Director



Shri S. K. Soni
Independent Director



Shri P. P. Pareek
Independent Director



Shri R.S. Ramasubramaniam
Independent Director

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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Chairperson's Letter to Shareholders

Dear Shareholders,

I extend my sincere greetings to all of you. It gives me great pleasure to present before you all the highlights of your Company's performance during the financial year 2015-16.

During Financial Year 2015-16, the global macroeconomic landscape witnessed a rough and uncertain terrain characterized by weak growth of world output. India's growth story, however, remained positive on the strength of domestic absorption, and the country registered a steady pace of economic growth in 2015-16 as it did in 2014-15. Additionally, other macroeconomic parameters like inflation, fiscal deficit and current account balance also exhibited distinct signs of improvement. However, weak growth in advanced and emerging economies took its toll on India's exports. As imports also declined, principally on account of reduced prices of crude oil, trade and current account deficits continued to be moderate. Further the Reserve Bank of India (RBI) continued with its accommodative monetary policy stance, reducing the key policy rate by a total of 75 basis points in two tranches during the year. The easing of the policy repo rate has been accompanied by a pick-up in the growth rates of reserve money (M0) and narrow money (M1).

The Government securities market, which is the core area of your Company's operations also witnessed extreme volatility. For the major part of the year yields kept moving up despite rate cuts by RBI. Barring high intensity global events that prompted sell-offs, the main reason for this directional mismatch was the demand supply gap in Government securities. The yields kept hardening up from October all the way to February. Uncertainty on the likely fiscal stance in the Union Budget pushed up the yields further. It was only after the Union Budget that the yields made a remarkable recovery in the month of March and closed the year at a much lower level of 7.46 per cent as against previous year close of 7.74 per cent.

Faced with the aforesaid macro economic conditions and market challenges, your Company maneuvered to its best ability to deliver profits during the year. During the year, the Company's Profit Before Tax stood at ₹ 51.47 crore as against ₹ 132.55 crore in the previous year. The Net Worth of the Company

increased to ₹ 731.22 crore as on March 31, 2016 as against ₹ 718.06 crore in previous year. The Company is adequately capitalized with Capital Adequacy Ratio of 68.07 per cent as on March 31, 2016, against RBI's minimum stipulation of 15 per cent.

I am equally pleased to share with you that your 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 handle troubles all these years.

Looking Ahead

With the new fiscal year upon us and optimistic macroeconomic outlook, your Company will primarily focus on improving its profitability. We shall continue to realign our strategies and resources in order to ensure the best returns for our shareholders and sustain those returns in the long term. The unseen challenges that lie ahead of us shall be met making best use of our skills, competencies and experience. Your Company's competent trading skills coupled with its strong risk management systems will ensure that the performance is strengthened in the year ahead.

I 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,



(Usha Ananthasubramanian)

Chairperson

DIN: 02784580

Date : July 1, 2016

BOARD'S REPORT

Dear Members,

Your Directors are pleased to present the Twentieth Annual Report together with the Company's audited financial statements for the financial year ended March 31, 2016.

1. RESULTS OF OUR OPERATIONS AND STATE OF AFFAIRS

The Company's financial performance, for the year ended March 31, 2016 is summarized below:

(₹ in lacs)

	For the year ended 31.3.2016	For the year ended 31.3.2015
Total Income	34339.65	41001.18
Less : Total Expenditure	29195.04	27746.63
Add: Prior Period Income	2.62	-
Profit/(loss) Before Tax	5147.23	13254.55
Less : Provision for Income Tax (including deferred tax)	1697.58	4427.85
Profit /(loss) After Tax	3449.65	8826.70
Add: Balance in Statement of Profit and Loss brought forward	12786.97	10103.02
Less : Adjustment for depreciation for Fixed Assets as per Schedule II of the Companies Act, 2013	-	24.95
Add: Prior Period Income	0.10	-
Amount available for Appropriation	16236.72	18904.77
Proposed Appropriations		
Transfer to Statutory Reserve	689.93	1792.28
General Reserve	-	-
Capital Reserve	356.56	1072.52
Proposed Dividend	1980.11	2700.15
Dividend Distribution Tax	403.10	552.85
Balance carried forward	12807.02	12786.97

During FY 2015-16, your Company fulfilled 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 44.35 per cent in both H1 and H2. In G-sec category, Company fulfilled the underwriting commitments, thereby supporting the government borrowing program.

During FY 2015-16, the yields on Government Securities trended down, with the ten-year benchmark yield moving down to 7.46 per cent as on March 31, 2016 as against previous year close of 7.74 per cent. Though the yields on point to point basis declined, the market remained highly volatile with the yields moving up for major part of the year. This was despite an accommodative stance by RBI with a cut in repo rate of 75 basis points. Inflation was well contained and Current Account Deficit was comfortable with a slump in global prices of oil and gold. Internationally too, the major economies like Euro zone, China, Japan were on an easing path whilst USA raised the rates.

The demand supply gap in the Government Securities and enhanced supply of normal State Developmental Loans led to a directional mismatch. The uncertainty hanging over the issuance of UDAY bonds also weighed heavily on market. Further, despite accommodative Monetary Policy stance, RBI kept the system liquidity in deficit mode with average liquidity deficit of more than ₹ 1.00 lac crore. It was only from February, 2016 end onwards, with the completion of Government Borrowings and aggressive OMO purchases by RBI that this demand-supply mismatch was reversed. This was further aided by the fiscal deficit pegged at 3.5 per cent per cent for FY '17, reduction in small savings rate, lower retail inflation and a positive early expectation of a normal monsoon. Accordingly the yield on 10-year benchmark Government Security which opened the year at 7.74 per cent, touched a high of 7.99 per cent, closed the year at 7.46 per cent.

Against the backdrop of extreme volatile market conditions, your Company managed to post a Profit Before Tax of ₹ 5147.23 lacs as against ₹ 13254.55 lacs in FY 2014-15. During the year, the net revenue from operations of your Company stood at ₹ 34322.40 lacs. Profit after Tax stood at ₹ 3449.65 lacs vis-à-vis ₹ 8826.70 lacs in the previous fiscal.

No material changes and commitments have occurred after the close of the year till the date of this report, which affect the financial position of the Company.

Capital Adequacy

Capital adequacy ratio as on March 31, 2016 stood at 68.07 per cent as against the RBI stipulation of 15 per cent.

Dividend

Your Board has recommended a final dividend of ₹ 1.10 (i.e. 11 per cent) per equity share (last year ₹ 1.50 per equity share) for the financial year ended March 31, 2016, subject to approval in the ensuing Annual General Meeting. The total outflow on account of said dividend shall be ₹ 2383.21 lacs (including Dividend Distribution Tax of ₹ 403.10 lacs).

Transfer to Reserves

Your Company proposes to transfer ₹ 689.93 lacs in Statutory Reserve as required under the provisions of Section 45-IC of the Reserve Bank of India Act, 1934. ₹ 356.56 lacs is proposed to be transferred in Capital Reserve in terms of RBI guidelines for Primary Dealers. 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 Annual Report. A certificate from M/s Kapoor Tandon & Co. (Firm Reg. No. 000952C), Statutory Auditor of the Company regarding compliance of conditions of Corporate Governance as stipulated in Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 is enclosed with the 'Report on Corporate Governance' forming part of the Board's Report.

Number of meetings of the Board

The Board met six times during the financial year 2015-16 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 Annual Report.

Directors and Key Managerial Personnel

Sh. Gauri Shankar (DIN: 02660553), who was appointed as a Non-Executive Director in the Annual General Meeting held on September 19, 2015, has demitted office effective from September 21, 2015. The Board places on record its appreciation for the services rendered by him during his tenure in the Company.

Dr. O. P. Chawla (DIN: 00026712), Independent Director, resigned from the directorship of the company with effect from November 16, 2015 stating his inability to continue due to his old age. The Board places on record its appreciation for the services rendered by him during his tenure in the Company.

During the year 2015-16, the members in their Annual General Meeting held on September 19, 2015 approved the appointment of Sh. K. V. Brahmaji Rao (DIN: 06861202), Additional Director as Non-Executive Director.

In the same Annual General Meeting, the members appointed Smt. Usha Ananthasubramanian (DIN: 02784580) as Non-Executive Director of the Company.

The members also approved reappointment of Sh. S. K. Dubey (DIN: 01770805) as Managing Director for a period from July 1, 2015 to June 30, 2016. Further, on the recommendation of Nomination and Remuneration Committee, the Board in its meeting held on May 16, 2016 re-appointed Sh. S.K. Dubey as Managing Director for a period effective from July 1, 2016 to January 31, 2018, subject to the shareholders approval in the ensuing Annual General Meeting.

During the year, on recommendation of Nomination and Remuneration Committee, the Board in its meeting held on February 3, 2016 appointed Sh. R. S. Ramasubramaniam (DIN : 00008937) as an Additional Director in the category of Independent Director for a term of 5 consecutive years effective from February 3, 2016, subject to the shareholders approval in the ensuing Annual General Meeting. Sh. R. S. Ramasubramaniam has submitted the required declaration of independence as required under Section 149(7) of the Companies Act, 2013. In the opinion of Board, Sh. R. S. Ramasubramaniam fulfills the conditions specified under the Companies Act, 2013 and Rules made thereunder and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and he is independent of the management.

Further, in accordance with the provisions of the Companies Act, 2013 and the Articles of Association of the Company, Sh. S.K.Dubey (DIN: 01770805) shall retire by rotation in the ensuing Annual General Meeting and is eligible for reappointment.

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, 2015. The evaluation of all the Directors, the Board as a whole and its Committees was conducted based on the criteria and framework adopted by the Board. Copy of said policy, inter-alia, containing the process and criteria for evaluation is available at Company's website at the link <http://pnbgilts.com/data/governance/1461912736.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 <http://pnbgilts.com/data/governance/1459924857.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 including criteria for determining qualifications, positive attributes, independence of a Director and other matters provided under Sub-section (3) of Section 178 of the Companies Act, 2013 is appended as Annexure A to the Board's Report.

Declaration by Independent Directors

The Company has received declaration pursuant to Section 149(7) of the Companies Act, 2013 from each Independent Director confirming therein the criteria of Independence as prescribed both under the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

3. OTHER DISCLOSURES –

Audit Committee

The Audit Committee comprises of the following members –

Name of Director	Position
Dr. Kamal Gupta	Chairman
Dr. O. P. Chawla ¹	Member
Sh. S. K. Soni	Member
Sh. P. P. Pareek	Member
Sh. R. S. Ramasubramaniam ²	Member

¹ Resigned from the directorship of the company w.e.f. November 16, 2015.

² Appointed as Member of the above Committee w.e.f. March 22, 2016.

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

Corporate Social Responsibility (CSR) Committee

The composition of the CSR Committee is as under –

Name of Director	Position
Sh. K. V. Brahmaji Rao	Chairman
Dr. Kamal Gupta	Member
Sh. S. K. Dubey	Member

The CSR policy of the Company, duly recommended by the CSR Committee and approved by the Board, is available at our website at the link <http://pnbgilts.com/data/governance/1461912787.pdf>. The CSR activity of the Company is

carried out as per the instructions of the Committee and Board. During the year, 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 our CSR for the year 2015-16 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. No employee / director has been denied access to the Audit Committee. During the year under review, no matter has been reported to the Audit Committee. The said policy may be accessed on the Company's website at the link <http://pnbgilts.com/data/governance/1409222609.pdf>

Contracts and Arrangements with Related Parties

All the contracts/ arrangements/transactions entered by the company are in ordinary course of business and at arm's length (except those given in form AOC-2 at Annexure C). Further during the year, the company had not entered into any contract/arrangement/transaction with related parties, which could be considered material in accordance with the Company's Policy/Standard Operating Procedures (SOP) on Related Party Transactions. The said Policy/SOP can be accessed at the Company's website at the link <http://pnbgilts.com/data/governance/1461912704.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 2015-16 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, 2016, 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 judgements 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, 2016 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 Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2015 be treated as NIL as none of the employees of the Company draws remuneration in excess of ₹ 5 lacs p.m. No employee is related to any Director of the Company.

The information required to be disclosed under Section 197(12) and Rule 5 (1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2015 is provided at Annexure D.

During the year 2015-16, there were no cases filed pursuant to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

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.

Extract of the Annual Return

Extract of Annual Return of the Company is annexed herewith as Annexure E to this Report.

Deposits

During the year ended March 31, 2016, 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.

Risk Management

In terms of RBI guidelines for NBFCs, a Risk Management Committee, constituted at management level, 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 Audit Committee, on periodic basis, oversees all the risks that a 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.

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

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 form part of this Annual Report.