

The background of the cover features a large, abstract graphic on the right side. It consists of several overlapping, flowing, ribbon-like shapes in shades of blue, yellow, and orange, set against a solid orange background. In the lower right corner, there are several white and light orange circles of varying sizes, creating a bokeh effect.

22nd ANNUAL REPORT 2017-18

Board of Directors

As on 31-03-2018



Shri Sunil Mehta
Chairman



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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Chairman'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 2017-18.

During FY 2017-18, economic activity decelerated in the first quarter. However, the front loading of public spending boosted government consumption and provided a cushion against further deceleration. Economic activity thus started recovering from the second quarter on the strength of an upturn in investment. A significant pick-up in credit off-take and larger resource mobilization by the private sector bode well for expansion of the investment cycle. Global economic activity also gained strength, with growth impulses becoming synchronized across regions. Global trade expanded, buoyed by gradually improving global demand and especially, the recovery of investment activity in advanced economies (AEs).

For debt market, FY 2017-18 was a challenging year. Yields started the year on a positive note driven by lower inflation data and sustained demand from foreign portfolio investors. The RBI anchored its policy rate to achieve the domestic inflation target consistent with growth and therefore, in line with the disinflation glide path, it reduced the repo rate by 25 basis points in August 2017. However, August onwards, yields hardened almost monotonically. Domestic factors like, increasing inflation rate, fiscal slippage, concerns over increase in the supply of papers in the form of bank recapitalization bonds, low GST collections and additional borrowing contributed to rise in yields. Due to rising inflation, RBI maintained Status Quo on monetary policy since August 2017. Internationally, rising crude prices, fed rate hikes and initiation of balance sheet normalization added to the uncertainty in the market.

Reflecting the above, the yield of government securities remained volatile with an upward bias. 10 year benchmark yield moved up from 6.66 per cent as on 31st March 2017 to 7.40 per cent as on 31st March 2018 i.e. an adverse movement of 74 basis points during the year. This is in sharp contrast to the favourable movement in 10 year yield from 7.47 per cent to 6.66 per cent i.e. by 81 basis points during the previous fiscal 2016-17.

Against the backdrop of adverse developments, Company managed to post a Profit Before Tax of ₹ 55.28 crore in FY 2017-18 as against ₹ 256.54 crore in FY 2016-17. The Net Worth of the company stood at ₹ 880.66 crore as on 31st March 2018. The company is adequately capitalized with capital adequacy ratio of 67.09 per cent as on 31st March 2018, against RBI's minimum stipulation of 15 per cent.

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 against odds.

Looking Ahead

Going forward, economic activity is expected to gather pace, benefitting from a conducive domestic and global environment. Credit off-take is becoming increasingly broad-based. Consumption demand remains robust and the focus of the Union Budget on the rural and infrastructure sectors should further support rural demand and investment. However, hardening of crude prices due to global factors, pose downside risk to the debt market in India. Moreover, global factors like trade protectionism and the pace of normalization of monetary policy in advanced economies may further add to the uncertainty. With the new fiscal year upon us, 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,



(Sunil Mehta)
Chairman

BOARD'S REPORT

Dear Members,

Your Directors are pleased to present the Twenty Second Annual Report together with the Company's audited financial statements for the financial year ended March 31, 2018.

1. RESULTS OF OUR OPERATIONS AND STATE OF AFFAIRS

The Company's financial performance, for the year ended March 31, 2018 is summarized below:

(₹ in lacs)

	For the year ended 31.3.2018	For the year ended 31.3.2017
Total Income	40993.67	50054.47
Less : Total Expenditure	35465.64	24400.36
Profit/(loss) Before Tax	5528.03	25654.11
Less : Provision for Income Tax (including deferred tax)	1870.45	8936.73
Profit /(loss) After Tax	3657.58	16717.38
Add: Balance in Statement of Profit and Loss brought forward	23951.20	12807.02
Add: Prior Period Income	-	-
Amount available for Appropriation	27608.78	29524.39
Proposed Appropriations		
Transfer to Statutory Reserve	731.52	3343.48
Capital Reserve	331.08	2229.71
Final Dividend of FY 2016-17	4500.25	-
Dividend Distribution Tax of FY 2016-17	916.15	-
Balance carried forward	21129.78	23951.20

FY 2017-18 was a challenging year for the debt market. The yields on Government Securities trended upward, with the ten-year benchmark yield rising to 7.40 per cent as on March 31, 2018 as against previous year close of 6.66 per cent. Market remained exposed to intermittent bouts of volatility due to domestic developments as well as uncertainty surrounding the evolution of global financial markets which impacted the market sentiment and liquidity conditions significantly. Domestic factors like increasing inflation rate, fiscal slippage, concerns over increase in the supply of papers in the form of bank recapitalization bonds, low GST collections and additional borrowing played a major role in rise of yields. Internationally, rising crude prices, Fed rate hikes and initiation of balance sheet normalization added to the uncertainty in the market.

Against the backdrop of adverse developments, your Company managed to post a Profit Before Tax of ₹ 5528.03 lacs as against ₹ 25654.11 lacs in FY 2016-17. The net revenue from operations of your Company during FY 2017-18 stood at ₹ 40993.67 lacs vis-à-vis ₹ 50054.47 lacs in the previous fiscal and Profit after Tax for FY 2017-18 stood at ₹ 3657.58 lacs vis-à-vis ₹ 16717.38 lacs in the previous fiscal. Additionally, 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 42.48 per cent and 40.91 per cent in H1 and H2 respectively. In G-sec category, Company fulfilled the underwriting commitments, thereby supporting the government borrowing program.

Material Changes and Commitments

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, 2018 stood at 67.09 per cent as against the RBI stipulation of 15 per cent.

Dividend

Your Board has recommended a dividend of ₹ 1/- (i.e. 10 per cent) per equity share (last year ₹ 2.50 per equity share) for the financial year ended March 31, 2018, subject to approval in the ensuing Annual General Meeting. The total outflow on account of said dividend shall be ₹ 2166.56 lacs (including Dividend Distribution Tax of ₹ 370.02 lacs).

Transfer to Reserves

Your Company proposes to transfer ₹ 731.52 lacs in Statutory Reserve as required under the provisions of Section 45-IC of the Reserve Bank of India Act, 1934. ₹331.08 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 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 four times during the financial year 2017-18 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 2017-18, the members in their Annual General Meeting held on September 16, 2017 approved the appointment of Sh. Sunil Mehta (DIN : 07430460), Additional Director as Director (under Non-Executive and Non-Independent category). In terms of Article 98(2) of Articles of Association of the Company, he is the Chairman of the Company.

In the same meeting, the members approved reappointment of Sh. S. K. Dubey (DIN: 01770805) as Managing Director for a period from February 1, 2018 to January 31, 2019. The members also approved the reappointment of Smt. Sunita Gupta (DIN: 06902258) as Whole-time Director (with designation 'Executive Director & CFO') for a period from September 1, 2017 to August 31, 2020.

Sh. R. S. Ramasubramaniam (DIN : 00008937), Independent Director vide letter dated June 29, 2018, received by the Company on July 3, 2018, has resigned from the directorship of the Company. Accordingly, in terms of Section 168 of the Companies Act, 2013, he ceases to be Director of the Company w.e.f. July 3, 2018. Your Board places on record his valuable contribution as member of the Board and its Committees.

Further, in accordance with the provisions of the Companies Act, 2013 and the Articles of Association of the Company, Smt. Sunita Gupta (DIN: 06902258) 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, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and also Guidance Note on Board Evaluation as prescribed by SEBI. 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 <https://pnbgilts.com/data/governance/1523278049.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://pnbgilts.com/data/governance/1523273950.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 composition of Audit Committee during FY 2017-18 was as under–

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

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 during FY 2017-18 was 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/1523278002.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 the CSR for the year 2017-18 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 such 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/1523277954.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 2017-18 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, 2018, 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, 2018 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 to be disclosed under Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 be treated as NIL as there was no employee, whether employed throughout the year 2017-18 or part thereof, who was in receipt of remuneration beyond the limits laid down in above said Rule. No employee is related to any Director of the Company.

Sexual Harassment at Workplace

Your Company has in place a formal policy for prevention of sexual harassment of its employees at workplace. During the year 2017-18, 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, 2018, 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.