

# 26<sup>th</sup> Annual Report 2021-22



## Board of Directors\*



**Sh. Kalyan Kumar**  
*Chairman*  
*Non-Executive & Non-Independent*



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



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



**Smt. Uma Ajay Relan**  
*Independent Director*



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



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



**Shri Vikas Goel**  
*Managing Director & CEO*

## OUR MISSION AND VISION

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

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### Safe Harbour Statement

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



## *Chairman's Letter to Shareholders*

**Dear Shareholders,**

I am truly honoured to chair the Board of PNB Gilts Ltd. and as the Chairman of the Company, my priority is to lead the Company towards sustained growth and help in accelerating the value creation for all of our stakeholders. It gives me immense pleasure to communicate with you at the end of yet another successful year at PNB Gilts Ltd. and take immense pleasure in presenting to you the annual report for the financial year 2021-22.

### **Economic Scenario**

FY 2021-22 has been marked as the year of revival the growth momentum picked up. After a contracting to as low as of 6.6% in 2020-21, the Indian economy bounced back during the year and registered the growth of by 8.7%. Agricultural growth demonstrated sustained growth and remained in the positive territory while Industry sector growth was at 10.3% in FY 2021-22, after being in a negative zone a year ago. Services sector growth was strong at 8.4% in FY 2021-22, recovering from a 7.8% contraction in FY 2020-21. With economic activities reviving in 2021-22 and crude oil prices edging up, inflation remained a concern during the year. The merchandise trade deficit posted a record high of USD 189.46 billion in FY 2021-22 as against USD 102.6 billion in FY 2020-21, reflecting the impact of high crude oil and gold prices.

As the world rebounds from the fears of the pandemic, the ongoing Ukraine-Russia conflict threatens to have severe ramifications in the form of soaring commodity prices, subdued growth, severe supply disruptions, capital outflows and currency fluctuations. Fearing the onset of global unrest on the back of steeper food and fuel prices, all major economies have embarked upon calibrated monetary tightening, with advanced economies leading in terms of the expected tightening of the monetary policy rates.

The RBI had maintained an accommodative monetary policy with an outlook to sustain and revive growth. Though, the RBI kept the repo rate unchanged through the year, but the RBI has taken several various measures to resolve the scenario confronted due to the pandemic and the geopolitical problems. At the same time, the RBI undertook the calibrated withdrawal of liquidity through the Variable Rate Reverse Repo auctions, but also ensured adequate liquidity to support the productive sectors of the economy.

### **Financial Performance:**

During the financial year 2021-22, the bond market saw considerable deterioration



accompanied by firming of rates. Besides this, as the RBI proceeded towards normalisation of system liquidity, your Company witnessed rising funding costs. Even with such adversity in the market environment, your Company posted a PBT of ₹ 210.15 Crore as on March 31, 2022 as against ₹ 614.35 Crore as on March 31, 2021. The Net Owned Funds (NOF) of the Company strengthened by 9.19 per cent from ₹ 1305.69 crore as on March 31, 2021 to ₹ 1425.64 crore as on March 31, 2022. The increase in NOF has also resulted in an enhanced capital adequacy ratio. I am delighted to state that your Company is adequately capitalized with a Capital Adequacy Ratio (CAR) of 66.41 per cent as on March 31, 2022; as against 45.58 per cent as on March 31, 2021, and also well above the RBI's minimum requirement of 15 per cent. I am elated to inform that your Company continues to make a difference in the society by supporting numerous social and environmental matter through its Corporate Social Responsibility activities. The Company contributed ₹ 5.57 crore during financial year 2021-22 (against ₹ 2.08 crore during financial year 2020-21) towards various agencies and trusts working for the cause of education, healthcare and environmental conservation.

It is the matter of pride for all of us that the Company abides by all the stipulations laid down by the regulators. Besides this, the Company is well poised with various departments working efficiently, adhering to various regulatory and Board approved norms. I would like to express my gratitude to all of you for being a salient part of the Company and for posing continuous trust in the Company. I as the Chairman of the Company assure you all that the Company shall continue to embark towards resilient and sustained growth and we solicit your unstinted support in this endeavour.

### Forward Guidance

With a weak global growth outlook and deteriorating market appetite, in the wake of soaring inflation and the continuation of monetary policy tightening, the Company may continue to face challenges in financial year 2022-23 as well. The RBI MPC has already embarked upon policy rate hikes, announcing back-to-back rate hike of 90 bps in financial year 2022-23 so far. Going forward, RBI is expected to continue to increase the policy rates in the upcoming policy meets as well due to continuous monetary tightening on the global level and inflation still remaining beyond RBI's targeted level. The spillover of the same may pose risk to the earnings of the Company, until any positive interventions such as improvement in government finances or any positive developments on the global bond index inclusion are witnessed.

However our ambitions are greater and we remain optimistic and confident that we will continue delivering on business and financial metrics. The Company intends to face the challenges by leveraging the available opportunities in an efficient manner, while ensuring to adapt best practices in all its processes.

I once again extend my heartfelt gratitude to all the stakeholders-clients, shareholders, directors and employees for their continued support, unwavering trust and tireless efforts to strengthen the position of the Company. I assure that your Company will continue to remain committed to all its stakeholders.



(Kalyan Kumar)  
Chairman

Date: July 20, 2022  
Place: New Delhi

## BOARD'S REPORT

Dear Members,

Your Directors are pleased to present the Twenty Sixth Annual Report together with the Company's audited financial statements for the financial year ended March 31, 2022.

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

The Company's financial performance, for the year ended March 31, 2022 is summarized below:

(₹ in lacs)

	For the year ended 31.03.2022	For the year ended 31.03.2021
Total Income	99,163.16	1,05,227.40
Less : Total Expenditure	78,839.35	42,920.08
Exceptional Items	(691.28)	872.62
Profit/(loss) Before Tax	21,015.10	61,434.70
Less : Tax Expense	4,443.96	16,023.02
<b>Profit for the period</b>	<b>16,571.13</b>	<b>45,411.68</b>
Other Comprehensive Income	(76.90)	(26.49)
Total Comprehensive Income	16,494.23	45,385.19
Opening Balance of Retained Earnings	50,774.29	32,472.45
Closing Balance of Retained Earnings	58,553.95	50,774.29
Earnings per share (Rs.)	9.21	25.23

During FY 2021-22, debt market conditions deteriorated significantly after witnessing a healthy rally in the previous FY. While the first half of the year remained largely stable in terms of the yield movement, the second half witnessed sharp upward movement of yields as RBI enhanced the liquidity normalisation measures and withdrew the G-sec buyback program, which had kept the markets supported during H1 of FY 2021-22. The other aggravating factors for the bond markets were high inflation, sharp and persistent rise in global commodity prices and spike in global yields due to reversal of easy monetary policy. At the domestic level, RBI did not raise the policy rates during FY 2021-22, however the enhanced amounts of VRRR auctions resulted in operating rate to firm up in the second half of the year. The average call money rate stood at 3.33 per cent in H2 FY 2021-22 compared with 3.18 per cent in H1 FY 2021-22. The term structure reflected a larger rise at the short-end of the curve as continuous VRRR auctions pushed up short-term rates more than medium and longer-term rates. Overall, the term structure shifted upwards with the 10-yr yield firming up by 52 bps to close the year at 6.86 per cent as against previous year's closing of 6.18 per cent.

Against the aforementioned backdrop, Company continued to fulfill all its obligations as a Primary Dealer mandated by RBI in Primary and Secondary markets. Despite the challenges and adverse market environment, Company posted PBT of ₹ 210.15 crore as on March 31, 2022 (₹ 614.45 crore during FY 2020-21) and PAT of ₹ 165.71 crore (₹ 454.12 crore during FY 2020-21). Capital adequacy remains strong with its capital to risk weighted assets ratio (CRAR) at 66.41 per cent as on March 31, 2022 as against 45.58% as on March 31, 2021, which is well above the regulatory minimum of 15% for PDs. With regard to Treasury Bills commitment, the Company exceeded the stipulated success ratio of 40 per cent, achieving 42.29 per cent and 40.78 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 193 times for treasury bills and 479 times for government-dated securities as on March 31, 2022 against the minimum RBI stipulation of 10 times and 5 times respectively.

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

The COVID-19 pandemic continued to be a global challenge, creating disruption across the world. In the first quarter of FY 2021-22, the second wave of the pandemic overwhelmed India's medical infrastructure. In this trying period, your company tracked and encouraged its employees to participate in the vaccination drive. Medical tests were conducted for employees having any covid type symptom and treatment thereafter including the hospitalization support, wherever required. In these hard times, lockdown was also imposed at several places in the country. 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 this lockdown.

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

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.

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.

### **Material Changes and Commitments**

Save as otherwise provided in this report and as mentioned in note no. 37 of financial statements, 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, 2022 stood at 66.41 per cent as against the RBI stipulation of 15 per cent. For the purpose of calculation of capital adequacy ratio, the Company has excluded Amortised Cost portfolio as this portfolio is non-marked to market portfolio, if amortised cost portfolio would be included then the Capital Adequacy Ratio would be 57.12%.

### **Dividend**

Your Directors are pleased to recommend a final Dividend of ₹ 5 (i.e. 50 per cent) per equity share of face value of ₹ 10/- for the year ended 31st March, 2022, subject to approval in the ensuing Annual General Meeting.

The Dividend Distribution Policy, in terms of Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations" or "Listing Regulations") is available on the Company's website on [https://www.pnbgilts.com/uploads/corporate\\_governance/Dividend\\_Distribution\\_Policy.pdf](https://www.pnbgilts.com/uploads/corporate_governance/Dividend_Distribution_Policy.pdf) During the year, the policy was amended to keep it aligned with the RBI circular no. DOR.ACC.REC.No.23/21.02.067/2021-22 dtd. 24.06.2021 which prescribe the guidelines on distribution of dividend by NBFCs including the maximum dividend payout which a Standalone Primary Dealer can pay.

### **Transfer to Reserves**

Your Company proposes to transfer ₹ 3314.23 lacs in Statutory Reserve as required under the provisions of Section 45-IC of the Reserve Bank of India Act, 1934. Further, in terms of the first proviso to Section 123(1) of the Companies Act, 2013, the Company proposes not to transfer any sum in General Reserve.

## 2. CORPORATE GOVERNANCE

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

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

### Number of meetings of the Board

The Board met six times during the financial year 2021-22 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 2021-22, Sh. Agyey Kumar Azad (DIN: 08985570), Non-Executive and Non-Independent Chairman, upon his superannuation from PNB, resigned from the directorship of the Company effective from May 1, 2021. In his place, the Board appointed Sh. Swarup Kumar Saha (DIN: 08963678), Executive Director, Punjab National Bank ('PNB'), as Additional Director (Non-Executive & Non-Independent) with effect from June 18, 2021. In terms of Article 98(2) of Articles of Association of the Company, he acted as the Chairman of the Company. The members in their Annual General Meeting held on September 20, 2021 appointed Sh. Saha as Director (Non-Executive & Non-Independent). Sh. Saha resigned from the directorship and chairmanship of the Company w.e.f. June 3, 2022, upon his elevation as Managing Director & CEO of Punjab and Sind Bank and cessation as an Executive Director of PNB. In place of Sh. Saha, your Board has appointed Sh. Kalyan Kumar (DIN: 09631251) Executive Director, PNB as an Additional Director (Non-Executive & Non-Independent) with effect from July 7, 2022. In terms of Article 98(2) of Articles of Association of the Company, he is the Chairman of the Company.

Sh. Vishesh Kumar Srivastava (DIN: 07234326), Non-Executive & Non-Independent Director, resigned from the directorship of the Company with effect from June 19, 2021 upon withdrawal of his nomination by PNB. In his place, the Board on recommendation of Nomination & Remuneration Committee has appointed Sh. Ashutosh Choudhury (DIN: 09245804), Chief General Manager and Group Chief Risk Officer of PNB, as an Additional Director (Non-Executive and Non-Independent) on the Board of the Company effective from July 19, 2021. The members in their Annual General Meeting held on September 20, 2021 have appointed Sh. Choudhury as Director (Non-Executive & Non-Independent).

The Board appreciates and thanks Sh. Azad, Sh. Saha and Sh. Srivastava for their vision, guidance and contribution during their association with the Company.

Further, based on the recommendation of Nomination & Remuneration Committee, the Board extended the tenure of Sh. Vikas Goel (DIN: 08322541), Managing Director & CEO for one year w.e.f. February 1, 2022. This was also approved by the members in the Extra Ordinary General Meeting held on March 29, 2022 in accordance with Regulation 17(1C) of SEBI Listing Regulations.

Further, in accordance with the provisions of the Companies Act, 2013 and the Articles of Association of the Company, Sh. Ashutosh Choudhury (DIN: 09245804) shall retire by rotation in the ensuing Annual General Meeting and being eligible, offers himself for reappointment.

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

## Performance Evaluation

The Company has devised a policy for performance evaluation of Board of its own performance, Independent Directors, Non-Independent/Executive Directors and Board level Committees etc. as required under the provisions of the Companies Act, 2013 and SEBI Listing Regulations and also Guidance Note on Board Evaluation as prescribed by SEBI. The performance of all the Directors, the Board as a whole and its Committees was evaluated after seeking inputs from the directors based on the criteria and framework adopted by the Board. The evaluation criteria are based on the Guidance Note on Board Evaluation issued by the Securities and Exchange Board of India on January 5, 2017.

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

During FY 2021-22, the Company appointed Grant Thornton Bharat LLP ("GT") for carry out the Board's performance Assessment. GT team met all individual directors (independent and non-independent) and submitted their report on the basis of their interaction. GT in their overall assessment has mentioned that the current level of practices within the organization largely reflect strong governance levels.

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

During the year, the said policy, inter-alia, containing the process and criteria for evaluation was modified so as to include provision of engaging the external counsel/expert advisers/specialist etc. to carry out the evaluation and to obtain advice, reports or opinions etc. in connection with the evaluation process. Copy of said policy is available at Company's website at the link [https://www.pnbgilts.com/uploads/corporate\\_governance/DIRECTORS\\_EVALUATION\\_POLICY.pdf](https://www.pnbgilts.com/uploads/corporate_governance/DIRECTORS_EVALUATION_POLICY.pdf)

## Policy on Directors' Appointment and Remuneration etc.

The policies of the Company on Directors' Appointment and Remuneration formulates the criteria for determining qualifications, competencies, positive attributes and independence of a Director and other matters like remuneration of directors, key managerial personnel, senior management and other employees. The policy relating to the remuneration of Directors, Key Managerial Personnel and other employees is framed with the object of attracting, retaining and motivating talent which is required to run the Company successfully. The remuneration policy was amended during the year 2021-22 so as to include a provision that remuneration to senior management who are on deputation from parent bank, PNB shall be paid in accordance with applicable service regulations/provisions of the parent bank. There was no change in the policy related to Directors' appointment during FY 2021-22. The policies are available on the website of the Company at the link: [https://www.pnbgilts.com/uploads/corporate\\_governance/Eligibility\\_Criteria\\_of\\_Directors\\_and\\_Policy\\_on\\_Board\\_Diversity.pdf](https://www.pnbgilts.com/uploads/corporate_governance/Eligibility_Criteria_of_Directors_and_Policy_on_Board_Diversity.pdf) and [https://www.pnbgilts.com/uploads/corporate\\_governance/REMUNERATION\\_POLICY.pdf](https://www.pnbgilts.com/uploads/corporate_governance/REMUNERATION_POLICY.pdf)

## Declaration by Independent Directors

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

## Business Responsibility Report

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



### 3 OTHER DISCLOSURES –

#### Details of Committees

The details in relation to the composition of Audit Committee, Corporate Social Responsibility Committee and other board level committees have been given in Report on Corporate Governance forming part of the Board's Report.

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

#### CSR

There was no change in the CSR Policy during FY 2021-22. The CSR policy of the Company is available at Company's website at the link [https://www.pnbgilts.com/uploads/corporate\\_governance/1615288099.pdf](https://www.pnbgilts.com/uploads/corporate_governance/1615288099.pdf) The CSR activity of the Company is carried out as per the instructions of the Committee and Board. The annual report on the CSR for the year 2021-22 in the prescribed format is presented at Annexure A to the Board's Report.

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

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

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

The Board of Directors has approved a Whistle Blower Policy (including Vigil Mechanism), which provides a framework to promote a responsible and secure whistle blowing. It protects employees wishing to raise a concern about serious irregularities within the Company. The Audit Committee reviews the functioning of this mechanism. The mechanism also provides for direct access to the Audit Committee/Chairman of 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/uploads/corporate\\_governance/WHISTLE\\_BLOWER\\_POLICY.pdf](https://www.pnbgilts.com/uploads/corporate_governance/WHISTLE_BLOWER_POLICY.pdf)

#### Contracts and Arrangements with Related Parties

All the contracts/ arrangements/transactions entered by the company are in ordinary course of business and at arm's length (except those not at arm's length given in form AOC-2 at Annexure B) as well as not material in nature. Company's Policy/SOP on Related party Transactions can be accessed at the Company's website at the link [https://www.pnbgilts.com/uploads/corporate\\_governance/SOP-POLICY\\_ON\\_RELATED\\_PARTY\\_TRANSACTIONS\\_W\\_E\\_F\\_01\\_04\\_2022.pdf](https://www.pnbgilts.com/uploads/corporate_governance/SOP-POLICY_ON_RELATED_PARTY_TRANSACTIONS_W_E_F_01_04_2022.pdf)

#### Subsidiaries

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

Further, since the Company is not having any subsidiary or associate or joint venture, it is not required to consolidate the financial statements in terms of Section 129 of the Companies Act, 2013 read with Rule 5 of the Companies (Accounts) Rules, 2014. However, the financial statements of the Company for FY 2021-22 had already been considered by its parent bank i.e. Punjab National Bank for the purpose of consolidation.

#### Directors' Responsibility Statement

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

- (a) in the preparation of the annual accounts for the year ended March 31, 2022, 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;