PRIMARY DEALERS' ASSOCIATION OF INDIA

3rd Annual Report
1999-2000

PRIMARY DEALERS' ASSOCIATION OF INDIA

BOARD OF DIRECTORS

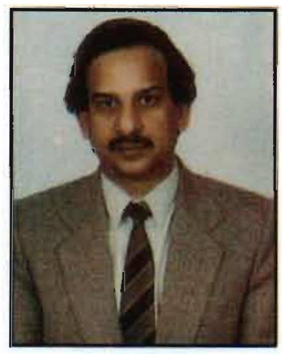
Shri M.R. RAMESH
Chairman, PDAI
Managing Director, DFHI

Shri R.V. JOSHI
Managing Director,
STCI

Shri DEVDATT SHAH
Managing Director,
I -Sec

Shri R.C. ROYAPPA
Managing Director,
SBI Gilts

Shri S.A. SHANBHAG
Managing Director,
GSTC



Shri ARUN KAUL
Managing Director,
PNB Gilts

Shri VISHNU DEUSKAR
Managing Director,
ABN

Shri KIRAN UMROOTKAR
Executive Director,
TFSL

Auditors
M/s. M.P. Chitale & Co.
Chartered Accountants

Legal Advisers
M/s. Dave Girish & Co.
Advocates

Registered Office: **C/o. Discount & Finance House of India Ltd.**
Voltas House (3rd Floor), 23, J.N. Heredia Marg, Ballard Estate, Mumbai - 400 001.
Tel.: 262 59 70 / 262 59 72 ● Fax : 262 59 68

Dr. Y. V. Reddy, Dy. Governor, RBI addressing the Seminar at Calcutta organised by PDAI.

Mrs. Usha Thorat, CGM, (IDM - Cell), RBI addressing the Seminar at Calcutta organised by the Association.

DIRECTORS' REPORT

To
The Members

Your Directors have great pleasure in presenting herewith the third Annual Report of the Primary Dealers' Association of India together with the Income and Expenditure Account for the period ended March 31, 2000 and the Balance Sheet as at that date.

1. Background

As you are aware, the "Primary Dealers' Association of India" (PDAI) was established as a Company under Section 25 of the Companies Act, 1956 on December 22, 1997. The PDAI at the time of its formation had six members. Currently the Association has a strength of 13 members. While the Institution of Primary Dealers has been only a few years old, the Government securities market has undergone far-reaching changes in the past few years as a consequence of financial liberalisation and globalisation of financial markets. PDAI had a substantial role to play during this period in furthering the development of the Government secseverties market. The efforts taken by the Primary Dealers in supporting the Government borrowing programme and enlarging the market for Government securities could be seen from the ease and effectiveness with which the Government borrowing programme could be completed in the last year and the substantial increase in the turnover in the secondary market.

2. Operating Environment

Several policy measures were announced by RBI in the financial year 1999-2000, which focussed on structural measures to strengthen the financial system and improved functioning of the various segments of the financial market. Some of these, relevant to the functioning of Primary Dealers (PDs) were :-

a) Introduction of priced based auction for Dated Government securities,
b) Having a system of minimum bidding commitment by PDs to cover 100 per cent of notified amounts in Treasury Bills auction and PDs were not required to take devolvement.
c) Enhancing underwriting option to PDs covering the entire notified amount in the auction of Dated Government securties.
d) Having OMO purchase window for Treasury Bills with exclusive access to PDs.

e) Permitting non-banking entities to borrow and lend money in the Repo market.

f) Allowing State Government securities to be eligible for market Repos.

g) Allowing sale of securities on the day of allotment in the Primary issues.

h) Issue of detailed guidelines for Interest Rate Swaps (IRS) and Forward Rate Agreement (FRAs).

i) Amendment to Securities Contracts (Regulation) Act 1956 - Government of India has rescinded the 1969 notification and has delegated powers to RBI under Section 16 of the SCRA for regulating contracts in Government securities etc and also ready forwards contracts in all debt securities in terms of section 16 of the Act.

In the backdrop of the above developments, RBI efficiently managed the borrowing programme for 1999-2000 for the Central Government through a mix of auction, private placement and open market operation, which helped to stabilise and reduce the cost of borrowing to the Government. The Reserve Bank used the open market window judiciously, to release the securities obtained through private placement route from the Government. The liquidity management operation put in place during the year also ensured a lower order of monetised deficit of the Central Government despite higher fiscal deficit. The net Reserve Bank credit to Central Government during 1999-2000 declined by Rs. 3,865 crore, recording a monetised surplus for the first time since 1977-78.

During 1999-2000, the daily peak call rates averaged 9.50%, whereas the daily bottom rates averaged 8.38%. The average daily call rates were higher at 9.00% compared to 8.10% in the previous year. Call rates were generally above Bank Rate for major part of the year. The rates did not move within the corridor of the Bank Rate (8%) and fixed repo rate (6%) which was in evidence during 1998-99. However, rates moved in the corridor of the Bank Rate and the Level II refinance rate of 10%.

The average cut-off yield of 14-day Treasury Bills rose to 8.38% in 1999-2000 from 7.79% in 1998-99, representing an increase of 59 basis points over the previous year. Similar trends were also seen in respect of 91-day and 364 day Treasury Bills. The average yield for 91-day Treasury Bills and 364-day Treasury Bills went up to 8.97% and 10.09% respectively, indicating an increase of 41 and 58 basis points respectively. However, between end-May 1999 and end-March 2000, the cut-off yield of 182-day Treasury Bills declined by 24 basis points. The gross mobilisation during 1999-2000 of 14, 91,364 and 182 day Treasury Bills stood at Rs.5,300 crore, Rs.5,300 crore and Rs. 2,300 crore respectively.

The Central Government's borrowing requirement showed a substantial rise in 1999-2000. The net market borrwing of the Central Government increased from Rs. 57,461 crore in the budget estimates to Rs. 73,077 crore (inclusive of 364-Day Treasury Bills). The gross market borrowing through Dated securities amounted to Rs. 86,630 crore in 1999-2000, as against Rs. 83,753 crore in 1998-99. The yields of the Dated Government securities came down in 1999-2000 compared to 1998-99. The maturity profile of the Dated Government securities issues during the Year under review was longer as compared to the previous year.

3. Entrance Fee/Annual Subscription

Contribution by fresh members of the Company was kept at Rs. 1.5 lakh, which comprise of Rs. 75,000/- as entrance fee towards the corpus of the Association and Rs. 75,000 as annual membership fee.

4. The financial results

The Income and Expenditure Account shows a surplus of Rs. 608,860.15 compared to Rs. 208,550.45 in the last financial year. This has been carried to the Balance Sheet under Reserves and Surplus.

5. Role played by the Association

During the year under review, the Association initiated several steps towards fulfillment of its objectives. In particular, it continued to have regular and continuous dialogue with RBI on several matters which were considered vital for development of the secondary market. The Primary Dealers Association is actively involved in a number of reform measures, which are in different stages of implementation. Some of them are as follows:-

a) A Sub-Group of the Technical Advisory Committee on Government security market was set up by RBI, to look into the matters relating to the widening of the Repo market. Major recommendations of this Committee were accepted for implementation in the monetary and credit policy. These are as follows:

   1) The non-bank entities who were allowed to undertake only reverse repos are allowed to undertake Repo.

   2) State Governments securities, PSU bonds and bonds issued by Corporates and Financial institutions held in dematerialised form are allowed for Repo. In order to operationalise the recommendation relating to widening of the Repo market, another sub-group was constituted to go into the legal and regulatory aspects of setting a Clearing Corporation.

b) An internal Group in the RBI was set up and with PDAI's participation, the scheme for Liquidity Adjustment Facility was drawn up. The scheme has been implemented from 5th of June 2000. Under this scheme Repo auctions (Absorption of Liquidity) and Reverse Repo auction (Injection of Liquidity) are being conducted on daily basis. The fixed rate repo has been discontinued with the initiation of this scheme. The liquidity support extended to all Scheduled Commercial Banks and Primary Dealers through Additional Collaterialised Lending Facility under Level II has also been discontinued.

c) In the last Monetary and Credit Policy for the year 2000-2001, RBI announced a proposal for introducing scheme of special facility for Banks and Primary Dealers providing for automatic invocation of undrawn refinance/liquidity support from RBI for facilitating smooth securities settlement.The main objective of the scheme is to provide intra day funds for securities settlment to settle those transactions which may fail due to inadequacy of funds at the gross settlement stage under the delivery v/s payment system without leading to overnight overdraft in current account. This would facilitate settlement of securities which are involved in "grid lock".

d) Due to the continuous efforts of the association through the Reserve Bank of India the Interest tax was abolished by the Government of India in the last Union Budget with prospective effect. However, the Association has appealed to the Government of India and Reserve Bank of India, to give retrospective effect to the above order.

All the above developments augur well for the Primary Dealers as they can play a more meaningful role in the further development of Government securities market.

Developmental activities

The Association organised a half-day seminar at Calcutta on January 4, 2000 as a part of its effort for the development of the Government securities market and creating greater awareness among investors. In addition, the Association co-sponsored a Dealers conference along with FIMMDA, from March 3-5 2000, on "Action Plan 2000". Both the above events had active participation from RBI at top levels.

There are several other issues on which continuous dialogue is being carried out by the Association with RBI like introduction of real time gross settlements, computerisation of PDO/DAD operations at RBI, electronic linkage with market participants and opening of a separate debt securities clearing corporation.

6. Future Plans

The major aim of PDAI will be to make Government Security market more vibrant, liquid, transparent and broad based. In this context, the Association wants to evolve a suitable "code of conduct" of high standards of commercial practice and encourage and promote the code among members and others as also the observance of legal and regulatory requirements including regulations and directives issued from time to time by Reserve Bank of India and to function in the best interests of the market.

The PDAI also plans to organise more number of seminars at different places and also come out with publicity materials for activating the market. the Association is also considering the publishing of an in house journal and to set up a web-site of its own. To facilitate for clearing and settlement of debt instruments, money market payments/instruments, forex payments etc. PDAI hopes to play a dominant role in the setting up of the clearing corporation through its member as promoters.

7. Directors

In terms of Articles 43(B) (b) of the Articles of Association, Shri. R.C. Royappa, Shri. Devdatt Shah and Shri R.V. Joshi will retire at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

8. Statutory Information

a. Auditors

M/s.M.P. Chitale & Co., Chartered Accountants were appointed as the first Auditors of the Company to hold office from the date of incorporation till the conclusion of the first Annual General Meeting of the Association and they are eligible for re-appointment. The Auditors have forwarded their certificate to the Company stating that their re-appointment, if made, will be within the limit specified in Section 224 (1B) of the Companies Act, 1956. The Board recommends to the members re-appointment of the Auditors and fixation of their remuneration.

b. Particulars of Employees

The statement containing the particulars of employees pursuant to Section 217(2A) of the Companies Act, 1956 read with the rules framed thereunder is not being annexed to the Report as no employee has so far been appointed.

9. Acknowledgment

Your Directors take this opportunity to express their grateful thanks to all the concerned officials of Reserve Bank of India for their unstinted support, guidance and co-operation to the Association and to all Primary Dealers. The Directors wish to place on record their appreciation for the efforts of the officials of the member organisations who worked hard to enable the Association to conduct successfully the seminars and other activities.

For and on behalf of the Board of Directors

Mumbai :
June 26, 2000

(M.R. RAMESH)
CHAIRMAN

REPORT OF THE AUDITORS TO THE MEMBERS OF PRIMARY DEALERS' ASSOCIATION OF INDIA FOR THE YEAR ENDED 31ST MARCH, 2000

We have audited the attached Balance Sheet of Primary Dealers' Association of India (the Organisation) as at **31st March, 2000** together with the Income and Expenditure Account for the year ended on that date and report that :

1. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.

2. In our opinion, proper books of account as required by law have been kept by the Organisation so far as appears from our examination of these books.

3. The said Balance Sheet and Income & Expenditure Account are in agreement with the books of account.

4. In our opinion, the Balance Sheet and Profit & Loss Account comply with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956 to the extent applicable.

5. In our opinion and to best of our knowledge and belief and according to the information and explanations given to us, the said accounts read together with the notes thereon (Ref. Schedule D) give the information as required by the Companies Act 1956, in the manner so required and give a true and fair view :

   a) In the case of the Balance Sheet of the state of affairs of the Organisation as at 31st March, 2000.

   b) In the case of the Income and Expenditure Account of the surplus for the period ended on that date.

In our opinion and to best of our information and according to the explanations given to us, the Manufacturing and Other Companies (Auditor's Report) Order, 1988 does not apply to the Organisation since it is a company licensed to operate under Section 25 of the Companies Act, 1956.

For **M.P.Chitale & Co.**
Chartered Accountants

Mumbai :
June 26, 2000

Sanjay D Panse
Partner

PRIMARY DEALERS' ASSOCIATION OF INDIA
BALANCE SHEET AS AT 31ST MARCH, 2000

Particulars	Schedule No.		As At 31.03.2000		As At 31.03.1999
			Rs.		Rs.
SOURCES OF FUNDS					
Corpus Contribution	A		825,000.00		300,000.00
Reserves and Surplus	B		851,561.70		242,701.55
TOTAL			**1,676,561.70**		**542,701.55**
APPLICATION OF FUNDS					
CURRENT ASSETS, LOANS & ADVANCES	C	1,714,274.70		596,201.55	
LESS: CURRENT LIABILITIES & PROVISIONS					
Current Liabilities	D	37,713.00		53,500.00	
Net Current Assets (B - C)			1,676,561.70		542,701.55
TOTAL			**1,676,561.70**		**542,701.55**
Notes on Accounts	E				

As per our Report of even date attached
For M.P. Chitale & Co.
Chartered Accountants

Sanjay D. Panse
Partner

Mumbai :
June 26, 2000

For Primary Dealers Association of India

M.R. Ramesh
(Chairman)
Managing Director of
Discount and Finance House of India Ltd.

S.A. Shanbhag
(Director)
Managing Director of
Gilt Securities Trading Corporation

Arun Kaul
(Director)
Managing Director of
PNB Gilts Ltd.

Devdatt Shah
(Director)
Managing Director of
ICICI Securities & Fin. Company Ltd.

R.V. Joshi
(Director)
Managing Director of
Securities Trading Corporation of India Ltd.

R.C. Royappa
(Director)
Managing Director of
SBI Gilts Ltd.

Kiran Umrootkar
(Director)
Executive Director of
Tata Finance Securities Ltd.

Vishnu Deuskar
(Director)
Managing Director of
ABN Amro Securities (I) Pvt. Ltd.

Mumbai :
June 26, 2000

PRIMARY DEALERS' ASSOCIATION OF INDIA
INCOME & EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2000

Particulars		As At 31.03.2000	As At 31.03.1999
		Rs.	Rs.
INCOME			
Membership Fees		975,000.00	300,000.00
Interest on Fixed Deposits (TDS Rs. 12,654/-)		113,083.00	-
Contribution towards Promotion Advertisement		-	205,530.00
Contribution towards Sponsorship Program		-	150,000.00
TOTAL	(I)	**1,088,083.00**	**655,530.00**
EXPENDITURE			
Printing & Stationery Expenses		72,153.15	39,209.55
Promotion Advertisement		-	205,530.00
Sponsorship Expenses		-	150,000.00
Bank Charges		25.00	10.00
Filing Fees		240.00	-
Meeting Expenses		4,117.20	6,230.00
Professional Charges		84,000.00	35,000.00
Postage		549.00	-
Conference & Seminar Expenses		291,301.50	-
Booklets and Informative material Expenses		6,675.00	-
Sundry Expenses		9,162.00	-
Payment to Auditors			-
Audit Fees		7,500.00	7,500.00
Tax Matters		3,500.00	3,500.00
TOTAL	(II)	**479,222.85**	**446,979.55**
Balance being Surplus/ (Deficit) for the year	(I-II)	**608,860.15**	**208,550.45**

For Primary Dealers Association of India

As per our Report of even date attached
For M.P. Chitale & Co.
Chartered Accountants

Sanjay D. Panse
Partner

Mumbai :
June 26, 2000

M.R. Ramesh
(Chairman)
Managing Director of
Discount and Finance House of India Ltd.

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(Director)
Managing Director of
ABN Amro Securities (I) Pvt. Ltd.

Mumbai :
June 26, 2000

PRIMARY DEALERS' ASSOCIATION OF INDIA
SCHEDULE FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2000

Particulars		As At 31.03.2000		As At 31.03.1999
	SCHEDULE A	Rs.		Rs.
CORPUS CONTRIBUTION				
Opening Balance	300,000.00		300,000.00	
Add: Entrance Fees received during the year	525,000.00	825,000.00	-	300,000.00
		825,000.00		**300,000.00**
	SCHEDULE B			
RESERVES & SURPLUS				
Opening Balance	242,701.55		34,151.10	
Add Excess of Income over Expenditure as per Income & Expenditure Account	608,860.15	851,561.70	208,550.45	242,701.55
TOTAL		**851,561.70**		**242,701.55**
	SCHEDULE C			
CURRENT ASSETS, LOANS & ADVANCES				
a) Tax Deducted at source on FD Interest		12,655.00		-
b) Accrued Interest on FD with Bank		108,630.00		
c) Balance with Scheduled Bank				
In Current Account	192,989.70			596,201.55
In Fixed Deposit Account	1,400,000.00	1,592,989.70		-
TOTAL		**1,714,274.70**		**596,201.55**
	SCHEDULE D			
CURRENT LIABILITIES				
Creditors For Expenses				
Payable to Auditors		14,500.00		18,500.00
Professional Charges		19,845.00		35,000.00
TDS		1,155.00		
M/s. SaiKrupa Graphics - Printing Exps		713.00		
Creditors For Others				
M/s. V. Laxman & Co.		1,500.00		
TOTAL		**37,713.00**		**53,500.00**

PRIMARY DEALERS' ASSOCIATION OF INDIA
SCHEDULE E
NOTES ON ACCOUNTS

1. Primary Dealers' Association of India is a Company Limited by Guarantee registered under Section 25 of the Companies Act, 1956.

2. Significant Accounting Policies

   a) The accounts of the Company are maintained on historical cost convention.
   b) Preliminary expenses have been written off fully in the first year itself.
   c) Membership Fees is considered as Income.
   d) Entrance Fees received from the members as contribution towards the corpus of the association.

3. There was no expenditure or income or remittance in foreign currency during the year .

4. Information pursuant to para 4C and sub-clause a, b, c and e of para 4D of Part II of schedule VI of the Companies Act, 1956 has not been given as they are not applicable to the company.

5. No provision for taxation has been made in the accounts in view of the exemption being sought by the Company under Section 11 read with Section 2 (15) of the "Income - Tax Act, 1961".

6. Previous year's figures have been regrouped wherever required.

As per our Report of even date attached
For M.P. Chitale & Co.
Chartered Accountants

Sanjay D. Panse
Partner

Mumbai :
June 26, 2000

For and on behalf of the Board of Directors
For Primary Dealers Association of India

M.R. Ramesh
(Chairman)
Managing Director of
Discount and Finance House of India Ltd.

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Mumbai :
June 26, 2000

PRIMARY DEALERS' ASSOCIATION OF INDIA

BALANCE SHEET ABSTRACT AND COMPANY'S GENERL BUSINESS PROFILE

a) Registration Detatils

Registration No.	11-112605	State Code	11
Balance Sheet Date	31-03-2000		

b) Capital raised during the year (Rs. in lacs)

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	NIL

C) Position of Mobilisation and Deployment of funds (Rs. In Lacs)

TOTAL LIABILITIES **Success of Funds :**		TOTAL ASSETS **Application of Funds :**	
Corpus Contribution	8.25	Net Fixed Assets	NIL
Reserves & Surplus	8.51	Investments	NIL
Secured Loans	NIL	Net Current Assets	16.76
Unsecured Loans	NIL	Misc. Expenditure	NIL
		Accumulated Losses	NIL

*Net of Current Liabilities & Provisions.

d) Performance of the Company (Rs. in Lacs)

Turnover - Income	10.88
Total Expenditure	4.79
Profit Before Tax	6.09
Profit After Tax	NIL
Earnings per Share in Rs.	NIL
Dividend Rate%	NIL

e) Generic Names of Three Principal Products/Services of Company
(as per Monetary Terms)

Item Code No.	NIL
Service Description	Not Applicable
Item Code No. (ITC Code)	NIL
Service Description	Not Applicable
Item Code No. (ITC Code)	NIL
Service Description	Not Applicable

A View of Panel Discussion at Seminar in Goa Jointly organised by the Association along with FIMMDA.

A Cross Section of participants at Calcutta Seminar .

The Chairman of the Association addressing the Seminar at Goa.

A Cross Section of participants at Goa Seminar.