PRIMARY DEALERS' ASSOCIATION OF INDIA

4th Annual Report
2000 - 2001

PRIMARY DEALERS' ASSOCIATION OF INDIA

BOARD OF DIRECTORS

Shri R. C. ROYAPPA
Chairman, PDAI
Managing Director,
SBI Gilts

Shri R. V. JOSHI
Managing Director,
STCI

Shri DEVDATT SHAH
Managing Director,
I - Sec

Shri ARUN KAUL
Managing Director,
PNB Gilts

Shri VISHNU DEUSKAR
Managing Director,
ABN Amro Sec.

Shri KIRAN UMROOTKAR
Executive Director,
TFSL

Shri K. K. RAO
Managing Director,
DFHI

Shri J. S. KALYANPUR
Managing Director,
GSTC

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

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

DIRECTORS' REPORT

To
The Members

Your Directors have great pleasure in presenting herewith the Fourth Annual Report of the Primary Dealers' Association of India together with the Income and Expenditure Account for the period ended March 31, 2001 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 15 members.

2. Operating Environment

During the financial year 2000-2001 RBI has announced several policy measures to improve the various segments of financial market. However, due to extreme volatility in the forex market the RBI took certain measures to contain the volatility and in the process took various steps to suck out the liquidity from the market. As a result the market rates went up considerably and prices of securities crashed. This adversely affected the profitability of primary Dealers for some months. However, after the inflow of funds and due to the successful launching of the Indian Millenium Deposit Scheme, liquidity improved considerably and the market started looking up, interest rates came down and prices of securities went up gradually. As a result, most of the Primary Dealers were able to generate profits at the close of the year but lower when compared to the previous year.

3. Entrance Fee/Annual Subscription

Contribution by new 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.

During the year under review, two more PDs joined the Association taking the total strength to 15 members.

4. The financial results

The Income and Expenditure Account for the ending March 31, 2001 of the Association shows a surplus of Rs. 11,77,891.97 as compared to Rs. 6,08,860.15 in the previous financial year. This has been carried to the Balance Sheet under Reserves and Surplus.

5. Role played by the Association

The Association has initiated various steps towards safeguarding the interests of its members. The Association had regular and continuous dialogue with RBI on several crucial issues particularly, LAF, repos, online Trading System (Infinity), T + 1 Trading, etc.

The Association is also actively involved in a number of reform measures, which are in different stages of implementation.

A close rapport was maintained with the FIMMDA, a sister organisation of fixed income players and a number of joint ventures were undertaken during the year.

6. The Challenges Ahead

One of the primary objectives of the Association is that PDAI should play a constructive and fruitful role in bringing uniformity in market practices and establishing standards relating to systems and procedures, risk management and hedging mechanisms, technology upgradation and other related issues. To achieve the said objectives, your directors constituted the following working Groups to take forward the activities of PDAI :

1.	Market Development & Market Practices	:	Headed by **Shri. K. K. Rao.** Managing Director, Discount & Finance House of India Limited
2.	Risk Management & Hedging Mechanism	:	Headed by **Shri. Vishnu Deuskar.** Managing Director, ABN Amro Securities (I) Private Limited
3.	Technology	:	**Shri. Devdatt Shah.** Managing Director, ICICI Securities & Finance Company Limited
4.	Examining Market Practices Around the World & Suggesting the Impro-vements in the system prevalent in India.	:	**Shri. Kiran Umrootkar.** Executive Director, Tata Finance Securities Limited.

These areas were being jointly co-ordinated with the similar committees set up by FIMMDA

7. Directors

During the year under review, Shri. M. R. Ramesh retired as Managing Director of Discount & Finance House of India Limited (DFHI) and therefore relinquished the post of Chairman and Director of Primary Dealers' Association of India. Shri. S. A. Shanbhag had resigned as Director of PDAI consequent upon repatriation of his services to Canara Bank.

Your Directors place on record their appreciation for the services rendered by S/Shri. M. R. Ramesh & S. A. Shanbhag during their tenure as Directors of the Company.

In terms of Articles 41 (3) of the Articles of Association of the Company, your Directors appointed Shri. K. K. Rao, Managing Director/Authorised Representative of DFHI and Shri. J. S. Kalyanpur, Managing Director/Authorised Signatory of Gilt Securities Trading Corporation Limited, as Directors on 19th September, 2000, in the casual vacancies caused on account of resignation of Shri. M. R. Ramesh & Shri. S. A. Shanbhag respectively.

In terms of Articles 43 (B) (b) of the Articles of Association, Shri K. K. Rao, Shri. Vishnu Deuskar and Shri. Kiran Umrootkar will retire at the ensuing Annual General Meeting and are eligible to offer themselves for re-appointment.

8. Auditors

The Auditors, M/s. M. P. Chitale & Co., Chartered Accountants, retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept office, if re-appointed. The Board recommends to the members re-appointment of the Auditors and fixation of their remuneration.

9. Particulars of Employees

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

10. Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and outgo :

The Company has no activities pertaining to manufacturing; hence furnishing of details regarding conservation of energy is not applicable.

During the year, the Company has not absorbed or adopted any technology. There were no foreign exchange earnings nor any expenditure incurred in foreign exchange during the year under review.

11. Fixed Deposits

The Company has not invited or accepted any Fixed Deposits during the year from public or its members.

12. Directors' Responsibility Statement

The Directors' Responsibility Statement setting out the compliance with the accounting and financial reporting requirements specified under section 217 (2AA) of the Companies Amendment Act, 2000, in respect of the financial statements, is annexed to this Report.

13. 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 for their contribution in managing the affairs of the Association.

For and on behalf of the Board of Directors

Mumbai :
July 19, 2001.

(R. C. ROYAPPA)
CHAIRMAN

ANNEXURE TO DIRECTORS' REPORT
Directors' Responsibility Statement

In terms of Section 217 (2AA) read with Section 292A of the Companies Act, 1956, we, the Directors of Primary Dealers' Association of India, state in respect of Financial Year 2000-2001 that :

1. In the preparation of the annual accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures ;
2. The Directors have 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 at the end of the financial year and of the surplus income of the Company for that period ;
3. The Directors have 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 ;
4. The Directors have prepared the annual accounts on a going concern basis.

For and on behalf of the Board,

R. C. Royappa
Chairman
(Managing Director,
SBI Gilts Limited)

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

K.K.Rao
Director
(Managing Director,
Discount & Finance
House of India Limited)

Arun Kaul
Director
(Managing Director,
PNB Gilts Limited)

Kiran Umrootkar
Director
(Executive Director,
Tata Finance Securities Limited)

J.S. Kalyanpur
Director
(Managing Director,
Gilt Securities Trading
Corporation Limited)

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

Mumbai:
July 19, 2001

REPORT OF THE AUDITORS TO THE MEMBERS OF PRIMARY DEALERS' ASSOCIATION OF INDIA FOR THE YEAR ENDED 31ST MARCH, 2001

We have audited the attached Balance Sheet of Primary Dealers' Association of India (the Organisation) as at 31st March, 2001 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 based on information and explanations given to us, none of the directors are disqualified as on 31st March, 2001 from being appointed as directors in terms of Section 274(1)(g) of the Companies Act, 1956.
6. In our opinion and to the 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 E) 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, 2001.

   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 Sec 25 of the Companies Act, 1956.

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

Sanjay D. Panse
Partner

Mumbai :
July 21, 2001

PRIMARY DEALERS' ASSOCIATION OF INDIA
BALANCE SHEET AS AT 31ST MARCH, 2001

Particulars	Schedule No.	As At 31.03.2001		As At 31.03.2000	
SOURCES OF FUNDS					
Corpus Contribution	A		975,000.00		825,000.00
Reserves and Surplus	B		2,029,453.67		851,561.70
TOTAL			**3,004,453.67**		**1,676,561.70**
APPLICATION OF FUNDS					
Current Assets, Loans & Advances	C	3,030,586.87		1,714,274.70	
LESS : CURRENT LIABILITIES & PROVISIONS					
Current Liabilities	D	26,133.20		37,713.00	
Net Current Assets (C-D)			3,004,453.67		1,676,561.70
TOTAL			**3,004,453.67**		**1,676,561.70**
Notes on Accounts	E				

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:
July 21, 2001

R. C. Royappa
Chairman
(Managing Director,
SBI Gilts Limited)

Arun Kaul
Director
(Managing Director,
PNB Gilts Limited)

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

Kiran Umrootkar
Director
(Executive Director,
Tata Finance
Securities Limited)

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

K.K.Rao
Director
(Managing Director,
Discount & Finance
House of India Limited)

J.S. Kalyanpur
Director
(Managing Director,
Gilt Securities Trading
Corporation Limited)

Mumbai:
July 19, 2001

PRIMARY DEALERS' ASSOCIATION OF INDIA
INCOME & EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2001

Particulars		As on 31.03.2001	As on 31.03.2000
		Rs.	Rs.
INCOME			
Membership Fees		1,125,000.00	975,000.00
Interest on Fixed Deposits (TDS Rs. 14,040/-)		225,642.00	113,083.00
TOTAL	(I)	1,350,642.00	1,088,083.00
EXPENDITURE			
Printing & Stationery Expenses		24,879.03	72,153.15
Bank Charges		463.00	25.00
Filing Fees		500.00	240.00
Meeting Expenses		-	4,117.20
Professional Charges		84,000.00	84,000.00
Postage		912.00	549.00
Conference & Seminar Expenses		40,022.00	291,301.50
Booklets and Informative material Expenses		-	6,675.00
Sundry Expenses		-	9,162.00
Conveyance		1,524.00	-
Payment to Auditors			
Audit Fees		9,000.00	7,500.00
Tax Matters		11,250.00	3,500.00
Service Tax		200.00	-
TOTAL	(II)	172,750.03	479,222.85
Balance being Surplus/(Deficit) for the Year	(I- II)	1,177,891.97	608,860.15

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:
July 21, 2001

R. C. Royappa
Chairman
(Managing Director, SBI Gilts Limited)

Arun Kaul
Director
(Managing Director, PNB Gilts Limited)

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

Kiran Umrootkar
Director
(Executive Director, Tata Finance Securities Limited)

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

K.K.Rao
Director
(Managing Director Discount & Finance House of India Limited)

J.S. Kalyanpur
Director
(Managing Director, Gilt Securities Trading Corporation Limited)

Mumbai:
July 19, 2001

PRIMARY DEALERS' ASSOCIATION OF INDIA
SCHEDULE FORMING PART OF BALANCE SHEET
AS AT 31ST MARCH, 2001

		As At 31.03.2001 Rs.		As At 31.03.2000 Rs.
SCHEDULE A				
CORPUS CONTRIBUTION				
Opening Balance	825,000.00		300,000.00	
Add : Entrance Fees received during the year	150,000.00	975,000.00	525,000.00	825,000.00
TOTAL		**975,000.00**		**825,000.00**
SCHEDULE B				
RESERVES & SURPLUS				
Opening Balance	851,561.70		242,701.55	
Add				
Excess of Income Over Expenditure as per Income & Expenditure Account	1,177,891.97	2,029,453.67	608,860.15	851,561.70
TOTAL		**2,029,453.67**		**851,561.70**
SCHEDULE C				
CURRENT ASSETS, LOANS & ADVANCES				
a) Prepaid Expenses		513.00		-
b) Tax Deducted at source on FD Interest		26,695.00		12,655.00
c) Accrued Interest on FD with Bank		208,054.00		108,630.00
d) Balance with Scheduled Bank				
In Current Account	278,270.87		192,989.70	
In Fixed Deposit Account	2,517,054.00	2,795,324.87	1,400,000.00	1,592,989.70
TOTAL		**3,030,586.87**		**1,714,274.70**
SCHEDULE D				
CURRENT LIABILITIES				
Creditors For Expenses				
Payable to Auditors		26,000.00		14,500.00
Professional Charges		-		19,845.00
TDS		-		1,155.00
M/s Saikrupa Graphics - Printing Exps		-		713.00
M/s Popular Xerox		133.20		-
Creditors For Others				
M/s V.Laxman & Co.		-		1,500.00
TOTAL		**26,133.20**		**37,713.00**

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 hte Company are maintained on historical cost convention.
b) Membership Fees is considered as Income.
c) 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 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.

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:
July 21, 2001

R. C. Royappa
Chairman
(Managing Director,
SBI Gilts Limited)

Arun Kaul
Director
(Managing Director,
PNB Gilts Limited)

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

Kiran Umrootkar
Director
(Executive Director,
Tata Finance
Securities Limited)

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

K.K.Rao
Director
(Managing Director,
Discount & Finance
House of India Limited)

J.S. Kalyanpur
Director
(Managing Director,
Gilt Securities Trading
Corporation Limited)

Mumbai:
July 19, 2001

PRIMARY DEALERS' ASSOCIATION OF INDIA

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

a) Registration Detatils

Registration No.	11-112605	State Code	11
Balance Sheet Date	31-03-2001		

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 **Sources of Funds :**		TOTAL ASSETS **Application of Funds :**	
Corpus Contribution	9.75	Net Fixed Assets	NIL
Reserves & Surplus	20.29	Investments	NIL
Secured Loans	NIL	Net Current Assets	30.04
UnSecured Loans	NIL	Misc. Expenditure	NIL
		Accumulated Losses	NIL

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

Turnover - Income	13.51
Total Expenditure	1.73
Profit Before Tax	11.78
Profit After Tax	11.78
Earnings per Share in Rs.	N..A
Dividend Rate %	NIL

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

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