PRIMARY DEALERS' ASSOCIATION OF INDIA

5th Annual Report
2001 - 2002

PRIMARY DEALERS' ASSOCIATION OF INDIA

BOARD OF DIRECTORS

Shri R. V. JOSHI
Chairman, PDAI
Managing Director,
STCI

Shri ARUN KAUL
Managing Director,
PNB Gilts

Shri DEVDATT SHAH
Managing Director,
ICICI Sec.

Shri KIRAN UMROOTKAR
Executive Director,
Tata TD Water house

Shri VISHNU DEUSKAR
Managing Director,
ABN Amro Sec.

Shri K. K. RAO
Managing Director,
DFHI

Shri J. S. KALYANPUR
Managing Director,
GSTC

Shri M. M. LATEEF
Managing Director,
SBI Gilts

Shri V. SRINIVASAN
Director,
J.P. Morgan Sec.

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 5970 / 262 5972 ★ Fax : 262 5968

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

Dignitaries at the Asian Conference Jointly Organised by PDAI, FIMMDA and THAI BDC at Bangkok


Participants at the Conference at Bangkok

DIRECTORS' REPORT

To
The Members

Your Directors have great pleasure in presenting the Fifth Annual Report of the Primary Dealers Association of India together with the Income and Expenditure Statement for the year ended 31st March, 2002 and the Balance Sheet as at that date.

Prologue

The members are aware that the Association was established as a Company under the Companies Act 1956 on December 22, 1997 and became operational with six members. This is the fifth year of our Association which has grown in strength to eighteen members who have been accredited as Primary Dealers (PDs) by Reserve Bank of India.

The Association was established to represent the PDs to establish itself as Self Regulatory Body in furthering the market development with best market practices for Government Securities in India. It is gratifying that the PDs have played an important role in facilitating the Government's borrowing programmes successful year after year since their inception and broadening and deepening the Secondary Market to a considerable extent while recognising that a lot more needs to be done in this direction.

Operating Environment

During the financial year 2001-02, the borrowings of the Central Government exceeded Rs. 1,33,800 crores out of which the PDs bid and took on their books Rs. 55,113 crores of Government dated securities and Rs. 26,236 crores of Treasury Bills which is much higher than previous years. PDs have grown in number and with their financial strength look forward to have exclusivity in the Primary Market soon.

The year under review also witnessed the following developments affecting the business of our members:

i) A sharp decline in long term interest rates (decline in yields of almost 2.5% on a ten-year bench mark security)
ii) High liquidity throughout the year.
iii) Widening of spread between Government securities and Corporate paper
iv) Increase in investor preference for Government securities as compared to Corporate Paper
v) Thrust on retailing of Government Securities - Non competitive bids in the auctions for primary issue in Government securities introduced

The PDs took optimal advantage of this environment and significantly added to their bottom lines by booking record earnings. This has resulted in giving better returns to their shareholders.

On the infrastructure side, RBI-sponsored Negotiated Dealing System (NDS) became operational in February 2002. The Clearing Corporation of India also commenced its operations in February 2002 facilitating a guaranteed settlement of deals thereby giving a relief to market participants especially PDs, who had experienced nightmare of grid locks and cash locks earlier.

Another important development during the year was that RBI announced its calendar for the first half of current financial year in respect of its borrowing programme which was also a matter of discussion with RBI for quite sometime.

PDAI has been constantly in consultation with RBI and giving its suggestions on various topics like Uniform Accounting Standards and Disclosure Norms, Repos etc. There has been a positive and constructive response from RBI all along.

Entrance Fee/ Annual subscription/ New members

The admission Fee and annual subscription fee remain at Rs. 75,000.

During the year under review there has been no increase in the number of PDs. However, three new entities viz. Banc of America Securities of (India) Pvt. Ltd., BOB Capital Markets Limited and Standard Chartered-UTI Securities have been granted licence to act as PDs and they have joined as members of the Association during April 2002.

Financial position

The Income and Expenditure Statement for the year ending March 31, 2002 of the Association shows a surplus of Rs. 11,59,752.57 as compared to Rs. 11,77,891.97 during the previous financial year. This has been carried to the Balance Sheet under Reserves and Surplus.

Meetings, Seminars and Conferences of the Association

A. Directors Meet

The Directors formally met five times in addition to several other informal meetings with all the members at times.

B. Seminar at Bangalore

As a part of its objective of spreading the awareness of Government Securities Market, the Association conducted a seminar with a theme " The Future of Government Securities Market in India" at Bangalore on September 22, 2001. Dr. Y. V. Reddy, Deputy Governor of RBI, delivered the Key Note address. The others who made their graceful presence and addressed the participants included Dr. R. H. Patil, Chairman, Clearing Corporation of India, Shri R. V. Shastri, Chairman and Managing Director, Canara Bank, Shri S. Gopalakrishnan, Chairman, Vijaya Bank, Smt. Usha Thorat, Chief General Manager in-charge, IDMC, RBI, and Shri A. Ramamurthy, Advisor, CRISIL.

The Seminar was marked with active participation by several participants representing Cooperative Banks, RRBs, PFs and Corporate Besides all PDs.

C. Asian Conference at Bangkok

The year under review also saw steps towards involving similar organisations beyond the borders of India. A Conference, jointly organised by Thai Bond Dealing Centre (Thai BDC), FIMMDA and PDAI was held in Bangkok between March 10 and March 12, 2002. Almost all the PDAI members attended this Conference. Representatives of Bond Dealers from other countries in Asian continent like Thailand, Sri Lanka, Singapore and Hong Kong participated thereby giving an opportunity to our members to interact with them and know about the neighbouring markets.

Directors

During the year under review, Shri. R. C. Royappa retired as Managing Director of SBI Gilts Limited and therefore, relinquished the post of Chairman and Director of Primary Dealers' Association of India. Shri. M. M. Lateef was appointed as Director of PDAI in casual vacancy caused on account of retirement of Shri. R. C. Royappa.

Your Directors place on record their appreciation for the services rendered by Shri. R. C. Royappa, during his tenure as the Chairman and Director of the Association.

Shri. R. V. Joshi Managing Director of Securities Trading Corporation of India Limited was elected as the Chairman of the Association following the relinquishment of office by Shri. R. C. Royappa.

In terms of Article 49(a) of the Articles of Association of the Company, your Directors co-opted Shri. V. Srinivasan, Director of J. P. Morgan Securities (I) Private Limited as a Director on the Board of Directors of the Association who holds office till the date of the ensuing Annual General Meeting and in respect of whom the Company has received a notice in writing under the provisions of Section 257 of the Companies Act, 1956, proposing his candidature for the post of a Director.

In terms of Articles 43 (B) (b) of the Articles of Association Shri. J. S. Kalyanpur, Shri Arun Kaul and Shri R. V. Joshi will retire at the conclusion of the ensuing Annual General Meeting and being eligible offer themselves for reappointment.

Statutory Information

a) 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 2001-2002 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.

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 the total emoluments of no employee exceed the prescribed amount.

c) Conservation of Energy, Technology Absorption and Foreign Exchange Earning 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 during the year under review.

d) 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 reappointment of the Auditors and fixation of their remuneration.

Acknowledgement

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 members of the Association. The Directors wish to place on record their appreciation for the efforts of the officials of the member organizations who worked hard to enable the Association to conduct the Seminar/Conference and other activites.

For and on behalf of the Board of Directors

Mumbai :
July 12, 2002

R. V. Joshi
Chairman

PRIMARY DEALERS' ASSOCIATION OF INDIA
FOR THE YEAR ENDED 31ST MARCH, 2002

We have audited the attached Balance Sheet of Primary Dealers' Association of India (the Organisation) as at 31st March 2002 together with the Income and Expenditure Account for the year ended on that date, annexed thereto.

These financial statements are the responsibility of the Organisation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report as follows:

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 2002 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 2002.
   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

Mumbai:
July 12, 2002

Sanjay D. Panse
Partner

PRIMARY DEALERS' ASSOCIATION OF INDIA
BALANCE SHEET AS AT 31ST MARCH, 2002

Particulars	Schedule No.		As at 31.03.2002		As at 31.03.2001
SOURCES OF FUNDS					
Corpus Contribution	A		1,050,000.00		975,000.00
Reserves and Surplus	B		3,189,206.24		2,029.453.67
TOTAL			**4,239,206.24**		**3,004,453.67**
APPLICATION OF FUNDS					
Current Assets, Loans & Advances	C	4,256,206.24		3,030,586.87	
LESS : CURRENT LIABILITIES & PROVISIONS					
Current Liabilities	D	17,000.00		26,133.20	
Net Current Assets (C-D)			4,239,206.24		3,004,453.67
TOTAL			**4,239,206.24**		**3,004,453.67**
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 12, 2002

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

Arun Kaul
Director
(Managing Director, PNB Gilts Limited)

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

Kiran Umrootkar
Director
(Executive Director, Tata TD Waterhouse Securities Limited)

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

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Director
(Managing Director, Discount & Finance House of India Ltd.)

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

M. M. Lateef
Director
(Managing Director, SBI Gilts Limited)

Srinivasan Varadarajan
Director
(Director, J. P. Morgan Securities (I) Private Limited)

Mumbai:
July 12, 2002

PRIMARY DEALERS' ASSOCIATION OF INDIA
INCOME & EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2002

Particulars		As at 31.03.2002	As at 31.03.2001
		Rs.	Rs.
INCOME			
Membership Fees		1,200,000.00	1,125,000.00
Interest on Fixed Deposits (TDS Rs. 46,986/-)		323,787.67	225,642.00
Sponsorship Fees (TDS Rs. 765)		75,000.00	-
TOTAL	**(I)**	**1,598,787.67**	**1,350,642.00**
EXPENDITURE			
Salary		31,667.00	-
Printing & Stationery Expenses		26,914.25	24,879.03
Bank Charges		200.00	463.00
Filing Fees		100.00	500.00
Professional Fees		84,000.00	84,000.00
Postage		3,166.25	912.00
Conference & Seminar Expenses		269,584.60	40,022.00
Sundry Expenses		258.00	-
Conveyance		2,719.00	1,524.00
Payment to Auditors			
Audit Fees		10,000.00	9,000.00
Tax Matters		8,000.00	11,250.00
Service Tax		876.00	200.00
Out-of-Pocket		1,550.00	-
TOTAL	**(II)**	**439,035.10**	**172,750.03**
Balance being Surplus / (Deficit) for the year	**(I-II)**	**1,159,752.57**	**1,177,891.97**

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

Sanjay D. Panse
Partner

Mumbai:
July 12, 2002

For PRIMARY DEALERS' ASSOCIATION OF INDIA

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Mumbai:
July 12, 2002

PRIMARY DEALERS' ASSOCIATION OF INDIA
SCHEDULE FORMING PART OF BALANCE SHEET
AS AT 31ST MARCH, 2002

SCHEDULE A

		As at 31.03.2002 Rs.		As at 31.03.2001 Rs.
CORPUS CONTRIBUTION				
Opening Balance	975,000.00		825,000.00	
Add: Entrance Fees received during the year	75,000.00	1,050,000.00	150,000.00	975,000.00
TOTAL		**1,050,000.00**		**975,000.00**

SCHEDULE B

		As at 31.03.2002 Rs.		As at 31.03.2001 Rs.
RESERVES & SURPLUS				
Opening Balance	2,029,453.67		851,561.70	
Add:				
Excess of Income over Expenditure as per Income & Expenditure Account	1,159,752.57	3,189,206.24	1,177,891.97	2,029,453.67
TOTAL		**3,189,206.24**		**2,029,453.67**

SCHEDULE C

		As at 31.03.2002 Rs.		As at 31.03.2001 Rs.
CURRENT ASSETS, LOANS & ADVANCES				
a) Prepaid Expenses		-		513.00
b) Tax Deducted at source on FD Interest		74,446.00		26,695.00
c) Accrued Interest on FD with Bank		456,499.67		208,054.00
d) Balance with Scheduled Bank				
In Current Account	89,022.57		278,270.87	
In Fixed Deposit Account	3,636,238.00	3,725,260.57	2,517,054.00	2,795,324.87
TOTAL		**4,256,206.24**		**3,030,586.87**

SCHEDULE D

		As at 31.03.2002 Rs.		As at 31.03.2001 Rs.
CURRENT LIABILITIES				
Creditors For Expenses				
Payable to Auditors		17,000.00		26,000.00
M/s Popular Xerox		-		133.20
TOTAL		**17,000.00**		**26,133.20**

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) 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 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:
July 12, 2002

For PRIMARY DEALERS' ASSOCIATION OF INDIA

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Mumbai:
July 12, 2002

PRIMARY DEALERS' ASSOCIATION OF INDIA

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

a) Registration Details

Registration No.	11-112605	State Code	11
Balance Sheet Date	31-03-2002		

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

Public Issue	NIL	Right 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	10.50	Net Fixed Assets	NIL
Reserves & Surplus	31.89	Investments	NIL
Secured Loans	NIL	Net Current Assets	42.39
UnSecured Loans	NIL	Misc. Expenditure	NIL
		Accumulated Losses	NIL

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

Turnover - Income	15.99
Total Expenditure	4.39
Profit Before Tax	11.60
Profit After Tax	11.60
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.	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

Dr. Y. N. Reddy, Dy Governer, RBI Delivering the key note address at the seminar at Bangalore

Shri R. V. Joshi, Chairman of the Association giving the welcome speech at seminar at Bangalore

Dignitaries who addressed the participants at the seminar at Bangalore

Participants at the seminar at Bangalore