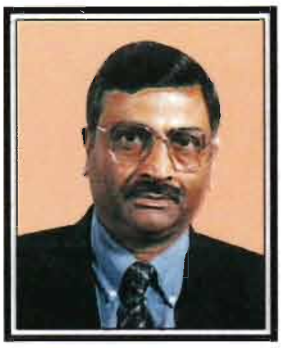
PRIMARY DEALERS' ASSOCIATION OF INDIA

6th Annual Report
2002 - 2003

PRIMARY DEALERS' ASSOCIATION OF INDIA
BOARD OF DIRECTORS


Shri. G.V. NAGESWARA RAO
Chairman, PDAI
Managing Director,
IDBI Capital Mkt. Services


Shri. R. V. JOSHI
Managing Director,
STCI


Shri. VISHNU DEUSKAR
Director,
ABN Amro Sec.


Shri. M.M. LATEEF
Managing Director,
SBI Gilts


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


Shri. NITIN JAIN
Sr. Vice President
ICICI Sec.


Shri. JAYESH MEHTA
Sr. Vice President
DSP Merrill Lynch


Shri. I. D. SINGH
Managing Director,
PNB Gilts

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.: 2262 5970 / 2262 5972 • Fax : 2262 5968

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

DIRECTORS' REPORT

To
The Members

Your Directors have great pleasure in presenting the Sixth Annual Report of the Primary Dealers' Association of India (herein after referred to as "Association") together with the Audited Statement of Accounts for the year ended March 31, 2003.

Prologue

The Association was established on December 22, 1997 as a Company under the Companies Act 1956. It was established as an Association for the Primary Dealers (PDs) accredited by Reserve Bank of India (RBI) to represent their interests and evolve suitable market practices for participants which is essential for proper functioning and healthy development of the market. The Association provides a platform for addressing issues of common interest and benefit to its member fraternity and seeks to establish itself as a Self Regulatory Organisation. The Association commenced its activities initially with six PD members which has since grown to seventeen. RBI has accredited one more Primary Dealer who is in the process of becoming the member of the Association.

Operating Environment

The monetary policy of Reserve Bank of India continued to focus on provision of adequate liquidity to meet credit and investment demand in the economy with a policy preference for softer interest rates. The monetary conditions, by and large, remained comfortable due to increased capital flows, absence of pressure on account of credit off-take, and reductions in CRR. The soft interest rates, good liquidity conditions and expectations of moderate inflation provided conditions for continued rally in the government securities market through most of the year except in May 2002, due to the uncertainty caused by border tension and again in February-March 2003, due to factors such as a worsening situation in Iraq, rising crude oil prices and sharp rise in inflation rate.

During the financial year 2002-03, the borrowings of the Central Government exceeded Rs. 1,51,126 crore out of which the PDs absorbed 63 per cent of auctioned primary issues of Government Securities and 65 per cent of Treasury Bills respectively. PDs also registered secondary market outright turnover of Rs. 7,32,143 crore as against the total secondary market outright turnover of Rs. 27,55,482 crore.

The year under review also witnessed the following developments with respect to the business of PDs :

(i) An indicative calendar for the issuance of Government of India dated securities was issued to enable the investors to plan their investments in a better manner.

(ii) Securities with put and call option exercisable after 5 years from the date of issue were issued for first time.

(iii) In line with its policy of elongating the maturity structure of dated securities, 30 year Government of India dated securities was issued for the first time.

(iv) To generate retail interest in Government securities, trading in small lots was introduced on the leading stock exchanges in India.

(v) PDs were allowed to avail of FCNR(B) loans from banks within an overall limit of 25 per cent of their

Net Owned Funds to supplement their funding sources, subject to the foreign exchange risk on such loans being hedged at all times at least to the extent of 50 per cent of exposure.

(vi) PDs were allowed to undertake Portfolio Management Services (PMS) for entities other than those regulated by the Reserve Bank of India subject to prior approval of Reserve Bank of India and obtaining certificate of registration from SEBI.

(vii) PDs were brought under the purview of the Board for Financial Supervision.

(viii) Satellite Dealers scheme discontinued effective May 2002.

The Negotiated Dealing System launched in February 2002 was fully operationalised during the year and all market participants were brought under this system, which has made the clearing and settlement process electronic. The operationalisation of Clearing Corporation of India Limited (CCIL) has eliminated counter party risk and enhanced the efficiency of the market.

All the above measures facilitated significant improvement in the overall operating environment in the markets which in turn benefited the PDs in moving towards their goal of creation of a deep and vibrant debt market in the country.

The Association has also taken up issues of common interest to its members and is providing its suggestions to RBI. Retailing of Government securities, Capital Adequacy Standards, Interest Rate Derivatives and Real Time Gross Settlement (RTGS) Systems are some of the issues where the Association has provided its insights.

Entrance Fee / Annual Subscription

The admission fee and annual subscription fee of the Association remained at Rs. 75,000. During the year under review, Tata TD Waterhouse Securities Private Limited ceased to be a member of the Association.

Financial Position

The Income and Expenditure Statement for the year ending March 31, 2003 of the Association shows a surplus of Rs. 11,14,652.53 as compared to Rs. 11,59,752.57 during the previous financial year. The same has been carried to the Balance Sheet under Reserves and Surplus.

Directors

During the year, S/Shri. Devdatt Shah, K. K. Rao, Arun Kaul, J. S. Kalyanpur and Kiran Umrootkar ceased to be the Directors of the Company. Your Directors place on record their appreciation for the services rendered by S/Shri. Devdatt Shah, K.K. Rao, Arun Kaul, J. S. Kalyanpur and Kiran Umrootkar during their tenure as Directors of the Association.

Shri. Nitin Jain and Shri. I. D. Singh were appointed as Directors in the casual vacancies caused on account of resignation of Shri. Devdatt Shah and Shri. Arun Kaul respectively.

In terms of Article 49 (a) of the Articles of Association of the Company, your Directors co-opted Shri. G. V. Nageswara Rao, Managing Director of IDBI Capital Market Services Ltd. and Shri. Jayesh Mehta, Senior Vice President of DSP Merrill Lynch Ltd., as Directors on the Board of Directors of the Association, who hold their office tlll the date of the ensuing Annual General Meeting. The Company has received notices in writing under the provisions of Section 257 of the Companies Act, 1956, proposing S/Shri. G. V. Nageswara Rao and Jayesh Mehta as Directors of the Company.

In terms of Articles 43 (B) (b) of the Articles of Association S/Shri. M. M. Lateef and Nitin Jain will retire at the conclusion of the ensuing Annual General Meeting. Shri Nitin Jain being eligible offers himself for re-appointment. Shri M.M. Lateef being eligible for re-appointment, however, does not seek re-electi

Directors' Responsibility Statement

In terms of Section 217 (2AA) read with Section 292A of the Companies Act, 1956, the Directors of Pr y Dealers' Association of India, state in respect of Financial year 2002-2003 that :

1. In preparation of the annual accounts, the applicable Accounting Standards have been follo d along with proper explanation relating to material departures;
2. The Directors have selected such accounting policies and applied them consistently and m judgements and estimates that are reasonable and prudent so as to give a true and fair vie f the state of affairs of the Company at the end of the financial year and of the surplus incom of the Company for that period;
3. The Directors have taken proper and sufficient care for the maintenance of adequate accou records in accordance with the provisions of the Act for safeguarding the assets of the Com and for preventing and detecting fraud and other irregularities;
4. The Directors have prepared the annual accounts on a going concern basis.

Particulars of Employees

None of the employees of your Company were in respect of remuneration exceeding the limits presc under Section 217 (2A) of the Companies Act, 1956.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo :

The Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 pertainin Conservation of Energy in Form A and Technology Absorption in Form B are not applicable to your comp as your company is not a manufacturing company. Further, there were no earnings or outgo in fore exchange, during the year.

Auditors

The Auditors, M/s. M. P. Chitale & Co., Chartered Accountants, retire at the ensuing Annual General Meet and have confirmed their eligibility and willingness to accept office, if reappointed. The Board recommen to the members re-appointment 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 Reser Bank of India for their unstinted support, guidance and co-operation to the Association and its member The Directors also wish to express their appreciation to the PDs for their generous support.

For and on behalf of the Board of Directors

Mumbai
September 17, 2003.

G. V. Nageswara Rao
Chairman

AUDITORS' REPORT

TO THE MEMBERS OF
PRIMARY DEALERS' ASSOCIATION OF INDIA

We have audited the attached Balance Sheet of Primary Dealers' Association of India as at 31st March 2003 and the Income and Expenditure Account for the financial year ended on that date, both of which we have signed under reference to this report. These financial statements are the responsibility of Primary Dealers' Association of India. 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 includes assessing the accounting principles used and significant estimates made by organisation's 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 :

(a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

(b) In our opinion, proper books of account as required by law have been kept by the organization, so far as appears from our examination of the books;

(c) The Balance Sheet and Income & Expenditure Account dealt with in this report are in agreement with the books of account;

(d) In our opinion, the Balance Sheet and Income & Expenditure Account comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;

(e) On the basis of the written representations received from the Directors as on March 31, 2003 we report that none of the Directors is disqualified as on March 31, 2003 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;

(f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the notes thereon, give information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;

    (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2003;

    and

    (ii) in the case of 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.

Sanjay Panse
Partner
For and on behalf of
M.P. Chitale & Co.

Mumbai :
September 17, 2003.

PRIMARY DEALERS' ASSOCIATION OF INDIA
BALANCE SHEET AS AT 31ST MARCH, 2003

(Amount in Rs.)

Particulars	Schedule No.	As at 31.03.2003		As at 31.03.2002	
SOURCES OF FUNDS					
Corpus Contribution	A		1,275,000.00		1,050,000.00
Reserves and Surplus	B		4,303,858.77		3,189,206.24
TOTAL			**5,578,858.77**		**4,239,206.24**
APPLICATION OF FUNDS					
Current Assets, Loans & Advances	C	5,597,218.77		4,256,206.24	
Less : Current Liabilities & Provisions	D	18,360.00		17,000.00	
Net Current Assets (C-D)			5,578,858.77		4,239,206.24
TOTAL			**5,578,858.77**		**4,239,206.24**
Notes to Accounts	E				

This is the Balance Sheet referred to in our report of even date.

For **PRIMARY DEALERS' ASSOCIATION OF INDIA**

Sanjay Panse
Partner
For and on behalf of
M.P. Chitale & Co.

Mumbai :
September 17, 2003

G.V. Nageswara Rao
Chairman
(Managing Director,
IDBI Capital Market
Services Limited)

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

Vishnu Deuskar
Director
(ABN Amro Securities
(I) Pvt. Limited)

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

Jayesh Mehta
Director
(Sr. Vice President,
DSP Merrill Lynch Limited)

I. D. Singh
Director
(Managing Director,
PNB Gilts Limited)

Mumbai :
September 17, 2003

PRIMARY DEALERS' ASSOCIATION OF INDIA
INCOME & EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2003

(Amount in Rs.)

Particulars	Year Ended 31.03.2003	Year Ended 31.03.2002
INCOME		
Membership Fees	1,350,000.00	1,200,000.00
Interest on Fixed Deposits (TDS Rs. 41,098/-)	416,454.23	323,787.67
Interest on IT Refund	1,227.00	---
Sponsorship Fees	---	75,000.00
TOTAL (I)	**1,767,681.23**	**1,598,787.67**
EXPENDITURE		
Salary	123,332.00	31,667.00
Printing & Stationery Expenses	33,118.25	26,914.25
Bank Charges	55.00	200.00
Filing Fees	250.00	100.00
Professional Fees	84,000.00	84,000.00
Postage	6,310.00	3,166.25
Conference & Seminar Expenses	382,896.45	269,584.60
Sundry Expenses	1,895.00	258.00
Conveyance	2,812.00	2,719.00
PAYMENT TO AUDITORS		
Audit Fees	10,000.00	10,000.00
Tax Matters	7,000.00	8,000.00
Service Tax	1,360.00	876.00
Out-of-Pocket	---	1,550.00
TOTAL (II)	**653,028.70**	**439,035.10**
Surplus Transferred to Reserve and Surplus (I-II)	**1,114,652.53**	**1,159,752.57**

This is the Income and Expenditure Account referred to in our report of even date.

For **PRIMARY DEALERS' ASSOCIATION OF INDIA**

Sanjay Panse
Partner
For and on behalf of
M.P. Chitale & Co.

Mumbai :
September 17, 2003

G.V. Nageswara Rao
Chairman
(Managing Director,
IDBI Capital Market
Services Limited)

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

Vishnu Deuskar
Director
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(I) Pvt. Limited)

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

Jayesh Mehta
Director
(Sr. Vice President,
DSP Merrill Lynch Limited)

I. D. Singh
Director
(Managing Director.
PNB Gilts Limited)

Mumbai :
September 17, 2003

PRIMARY DEALERS' ASSOCIATION OF INDIA
SCHEDULE FORMING PART OF BALANCE SHEET
AS AT 31ST MARCH, 2003

(Amount in Rs.)

		As at 31.03.2003		As at 31.03.2002
SCHEDULE A				
Corpus Contribution				
Opening Balance	1,050,000.00		975,000.00	
Add : Entrance Fees received during the year	225,000.00	1,275,000.00	75,000.00	1,050,000.00
TOTAL		**1,275,000.00**		**1,050,000.00**
SCHEDULE B				
Reserves & Surplus				
Opening Balance	3,189,206.24		2,029,453.67	
Add : Excess of Income over Expenditure as per Income & Expenditure Account	1,114,652.53	4,303,858.77	1,159,752.57	3,189,206.24
TOTAL		**4,303,858.77**		**3,189,206.24**
SCHEDULE C				
Current Assets, Loans & Advances				
a) Tax Deducted at source on FD Interest		115,543.80		74,446.00
b) Accrued Interest on FD with Bank		467,939.81		456,499.67
c) Balance with Scheduled Bank				
In Current Account	80,817.56		89,022.57	
In Fixed Deposit Account	4,932,917.60	5,013,735.16	3,636,238.00	3,725,260.57
TOTAL		**5,597,218.77**		**4,256,206.24**
SCHEDULE D				
Current Liabilities				
Creditors For Expenses				
Payable to Auditors		18,360.00		17,000.00
TOTAL		**18,360.00**		**17,000.00**

PRIMARY DEALERS' ASSOCIATION OF INDIA

SCHEDULE FORMING PART OF ACCOUNTS
SCHEDULE "E"
NOTES TO 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 fee 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 11 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 eligible to the Company under section 11 read with Section 2 (15) of the "Income tax Act 1961".

6. Previous year's figures are regrouped, reclassified and rearranged wherever necessary.

Signatures to the Schedules A to E forming part of the Balance Sheet and Income & Expenditure Account.

For **PRIMARY DEALERS' ASSOCIATION OF INDIA**

Sanjay Panse
Partner
For and on behalf of
M.P. Chitale & Co.

Mumbai :
September 17, 2003

G.V. Nageswara Rao
Chairman
(Managing Director,
IDBI Capital Market
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M. M. Lateef
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Director
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I. D. Singh
Director
(Managing Director,
PNB Gilts Limited)

Mumbai :
September 17, 2003

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	31-03-2003		

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	12.75	Net Fixed Assets	NIL
Reserves & Surplus	43.04	Investments	NIL
Secured Loans	NIL	Net Current Assets	55.79
Unsecured Loans	NIL	Misc. Expenditure	NIL
		Accumulated Losses	NIL

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

Turnover - Income	17.68
Total Expenditure	6.53
Profit Before Tax	11.14
Profit After Tax	11.14
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