PRIMARY DEALERS' ASSOCIATION OF INDIA

9th Annual Report
2005 - 2006

PRIMARY DEALERS' ASSOCIATION OF INDIA
BOARD OF DIRECTORS

Shri V. K. GUPTA
Managing Director & CEO
SBI DFHI

Shri G. NARAYANAN
Managing Director
STCI

Shri NITIN JAIN
Sr. Vice President
ICICI Securities

Shri JAYESH MEHTA
Executive Vice President
DSP Merrill Lynch

Shri D. G. KAMATH
Managing Director
Gilt Securities

Shri CVR RAJENDRAN
Managing Director
Corp. Securities

Shri B. P. ROHILLA
Managing Director
BOB Capital Markets

Shri A. K. GUPTA
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 herewith the Ninth Annual Report of the Primary Dealers' Association of India together with the Income and Expenditure Account for the period ended March 31, 2006 and the Balance Sheet as at that date.

1. OPERATING ENVIRONMENT :

The budgeted gross borrowing programme of the Government of India for the year 2005-06 was Rs. 1,78,487 Crores, comprising gross borrowing by way of Dated Government Securities at Rs. 1,52,487 Crores and borrowing by way of 364-day Treasury Bills at Rs. 26,000 Crores. As against this, the actual amount of borrowing amounted to Rs. 1,58,000 Crores comprising Rs. 1,32,000 Crores raised by the issuance of Dated Government Securities and Rs. 26,000 Crores raised by the issuance of 364-day Treasury Bills. The outstanding balances under MSS increased from Rs. 65,481 Crores at end March 2005 to a peak of Rs. 80,585 Crores in early September and thereafter declined to Rs. 29,000 Crores by end March 2006 reflecting the unwinding of MSS balances owing to the tight liquidity conditions arising from the redemption of IMDs towards the end of the calendar year 2005. Some important developments in the money and government securities market during the year have been : an increase in both reverse repo and repo rate from 4.75 per cent and 6.00 per cent as at the beginning of the fiscal to 5.50 per cent and 6.50 per cent towards the end of the fiscal; the launching of the electronic order matching trading module for Government Securities on NDS platform of RBI since August 1, 2005; discountinuation of outright transactions in Government Securities on Saturdays after October 7th, 2005; Reserve Bank of India permitting intra-day short selling of Government Securities on NDS-OM from March 01, 2006; Limit of FII investment in Government Securities being raised to US$ 2 billion from US$ 1.75 billion and for corporate debt from US$ 0.50 billion to US$ 1.50 billion.

The year 2005-06 has been a challenging one for the debt market players including Primary Dealers, as market had witnessed upward trend of fixed income yield throughout the fiscal. After remaining volatile as well as range bound for most part of the fiscal, yields shot up sharply towards the end of the fiscal owing to combined effect of liquidity tightening as well as the rate hike by the Reserve Bank of India. As a consequence, domestic 10 year benchmark yield rose from 6.70 per cent at the beginning of the fiscal to 7.54 per cent towards the end of the fiscal. Volatile rates forced many participants to the sidelines and the volumes in the secondary market shrunk by 24 per cent.

2. ENTRANCE FEE/ANNUAL SUBSCRIPTION :

The admission fee and annual subscription fee of the Association remained at Rs.75,000/-. During the year under review, Citicorp Capital Markets Ltd and Standard Chartered – UTI Securities India Pvt Ltd (SCUTI) ceased as Primary Dealers and consequently ceased to be members of the Association.

3. FINANCIAL RESULTS :

The Income and Expenditure Account for the ending March 31, 2006 of the Association shows a surplus of Rs.14,29,109/- as compared to Rs.11.34,983/- in the previous financial year. This has been carried to the Balance Sheet under Reserves and Surplus

4. ROLE PLAYED BY THE ASSOCIATION :

Your Association continues to work closely with Reserve Bank of India, Ministry of Finance, FIMMDA and other Authorities in the development of Government Securities market in India. The Association has continuous dialogue with RBI on several issues including diversifying into areas such as foreign exchange. equities and commodities with an aim to strengthen the PD system. Your Association was in the forefront in taking up the issue relating to remission of stamp duty on principal and electronic trades in Government Securities.

5. DIRECTORS :

During the year under review :

(a) Shri I.D. Singh ceased to be a Director consequent to his transfer to Punjab National Bank ;

(b) Shri R.V. Joshi ceased to be a Director consequent upon his leaving the service of Securities Trading Corporation of India Ltd;

(c) Shri V. Srinivasan had resigned as Director and Chairman of the Association;

(d) Shri Pradeep Madhav ceased to be a Director consequent to his resignation from the service of IDBI Capital Market Services Ltd ;

(e) Shri M.M. Lateef resigned as Director and Chairman of the Association consequent upon his transfer to State Bank of India;

(f) Shri Dhiren Mehta resigned as Director consequent to ceasation of Citicorp Capital Markets Ltd as a Primary Dealer;

(g) Shri Manubhai K. Parekh ceased to be a Director consequent upon his superannuation from the service of BOB Capital Markets Limited.

Your Directors place on record the valuable contribution made by S/Shri V. Srinivasan, M.M. Lateef, I.D. Singh. Pradeep Madhav, Dhiren Mehta and M.K. Parekh during their tenure as Directors of the Association.

During the year under review :

i) Shri A.K. Gupta, Managing Director of PNB Gilts Ltd has been appointed in the casual vacancy caused on account of withdrawal of nomination of Shri I.D Singh;

ii) Shri G. Narayanan, Managing Director of Securities Trading Corporation of India Ltd has been appointed in the casual vacancy caused on account of resignation of Shri R.V. Joshi;

iii) Shri V.K. Gupta, Managing Director & Chief Executive Officer of SBI DFHI Ltd has been appointed as Director in the casual vacancy caused on account of resignation of Shri M.M. Lateef; and

iv) Shri B.P. Rohilla, Managing Director of BOB Capital Markets Ltd has been appointed as a Director in the casual vacancy caused on account of superannuation of Shri Manubhai K. Parekh.

In terms of Article 43(B) (b) of the Articles of Associations, S/Shri G. Narayanan, Jayesh Mehta and CVR Rajendran will retire at the ensuing Annual General Meeting and are eligible to offer themselves for re-appointment.

6. **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 for re-appointment of the Auditors and fixation of their remuneration.

7. **PARTICULARS OF EMPLOYEES :**

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

8. **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 pertaining to Conservation of Energy in Form A and Technology Absorption in Form B are not applicable to your Company as your company is not a manufacturing Company. Further, there were no earnings or outgo in foreign exchange, during the year under review.

9. **DIRECTORS' RESPONSIBILITY STATEMENT :**

Pursuant to the requirements under Section 217 (2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed that :

i. in the preparation of the annual accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;

ii. 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 ;

iii. 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 ; and

iv. the Directors have prepared the annual accounts on a going concern basis.

10. **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

PLACE : Mumbai
DATE : 22nd August, 2006

V. K. GUPTA
Chairman

G. NARAYANAN
Director

AUDITORS' REPORT

TO THE MEMBERS OF
PRIMARY DEALERS' ASSOCIATION OF INDIA

We have audited the attached Balance Sheet of Primary Dealers' Association of India (the Organisation) as at 31st March 2006 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 also 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 accounts as required by law have been kept by the Organization, so far as appears from our examination of the books;

(c) The said 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 Section 211 (3C) of the Companies Act, 1956;

(e) On the basis of the written representations received from the Directors as on March 31, 2006 we report that none of the Directors are disqualified as on March 31, 2006 from being appointed as Directors 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 2006;

   (ii) 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 Companies (Auditor's Report) Order, 2003 and as amended by Companies (Auditor's Report) (Amendment) Order, 2004 (together the "Order") issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956 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
Ashutosh Pednekar
Partner
ICAI M. No. 41034

Mumbai
August 22, 2006.

PRIMARY DEALERS' ASSOCIATION OF INDIA
BALANCE SHEET AS AT 31ST MARCH, 2006

(Amount in Rs.)

Particulars	Schedule No.		As at 31.03.2006		As at 31.03.2005
SOURCES OF FUNDS					
Corpus Contribution	A		1,350,000.00		1,350,000.00
Reserves and Surplus	B		8,141,238.41		6,712,128.71
TOTAL			**9,491,238.41**		**8,062,128.71**
APPLICATION OF FUNDS					
Current Assets, Loans & Advances	C	9,643,011.41		8,203,389.71	
Less : Current Liabilities & Provisions					
Current Liabilities	D	151,773.00		141,261.00	
Net Current Assets (C-D)			9,491,238.41		8,062,128.71
TOTAL			**9,491,238.41**		**8,062,128.71**
Notes to Accounts	E				

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

For **PRIMARY DEALERS' ASSOCIATION OF INDIA**

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

Ashutosh Pednekar
Partner

Mumbai
August 22, 2006.

Shri G. Narayanan
Director
(Managing Director
Securities Trading
Corporation of India Ltd.)

Shri Jayesh Mehta
Director
(Executive Vice President
DSP Merrill Lynch Limited)

Shri D. G. Kamath
Director
(Managing Director
Gilt Securities Trading
Corporation Limited)

Shri A. K. Gupta
Director
(Managing Director
PNB Gilts Limited)

Shri CVR Rajendran
Director
(Managing Director
Corpbank Securities Ltd.)

Shri V. K. Gupta
Director
(Managing Director & CEO
SBI DFHI Limited)

Shri B. P. Rohilla
Director
(Managing Director
BOB Capital Markets Limited)

Mumbai
August 22, 2006.

PRIMARY DEALERS' ASSOCIATION OF INDIA
INCOME & EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006

(Amount in Rs.)

Particulars		As at 31.03.2006	As at 31.03.2005
INCOME			
Membership Fees		1,275,000.00	1,275,000.00
Interest on Fixed Deposits (TDS Rs. 51,857/-)		482,361.00	487,506.00
Interest on I.T. Refund		---	3,473.00
TOTAL (I)		1,757,361.00	1,765,979.00
EXPENDITURE			
Salary		61,600.00	380,281.00
Printing & Stationery Expenses		36,844.50	28,771.50
Registration Charges for Domain Name		4,150.00	---
Bank Charges		605.80	583.00
Filing Fees		100.00	---
Professional Fees		93,568.00	92,626.00
Postage & Telephone		18,590.00	18,406.00
AGM Expenses		50,000.00	31,069.00
Conference & Seminar Expenses		---	23,900.00
Profession Tax		2,500.00	2,500.00
Office Expenses		2,333.00	2,105.00
Conveyance		3,780.00	4,440.00
Service Tax on accounting services		734.00	---
Computer expenses		4,950.00	5,050.00
Accounting charges		6,612.00	6,000.00
PAYMENT TO AUDITORS			
Audit Fees		25,000.00	20,000.00
Tax Matters		10,000.00	10,000.00
Service Tax		4,284.00	3,264.00
Out-of-Pocket		2,600.00	2,000.00
TOTAL (II)		328,251.30	630,995.50
Surplus Transferred to Reserve and Surplus	(I-II)	1,429,109.70	1,134,983.50

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

For **PRIMARY DEALERS' ASSOCIATION OF INDIA**

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

Ashutosh Pednekar
Partner

Mumbai
August 22, 2006.

Shri G. Narayanan
Director
(Managing Director
Securities Trading
Corporation of India Ltd.)

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Director
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Shri B. P. Rohilla
Director
(Managing Director
BOB Capital Markets Limited)

Mumbai
August 22, 2006.

PRIMARY DEALERS' ASSOCIATION OF INDIA
SCHEDULE FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2006

(Amount in Rs.)

		As at 31.03.2006		As at 31.03.2005
SCHEDULE A				
Corpus Contribution		1,350,000.00		1,350,000.00
TOTAL		**1,350,000.00**		**1,350,000.00**
SCHEDULE B				
Reserves & Surplus				
Opening Balance	6,712,128.71		5,577,145.21	
Add : Excess of Income over Expenditure as per Income & Expenditure Account	1,429,109.70	8,141,238.41	1,134,983.50	6,712,128.71
TOTAL		**8,141,238.41**		**6,712,128.71**
SCHEDULE C				
Current Assets, Loans & Advances				
a) Tax Deducted at source on FD Interest		221,463.80		169,606.80
b) Accrued Interest on FD with Bank		25,570.00		---
c) Balance with Scheduled Bank				
In Current Account	132,427.61		34,753.91	
In Fixed Deposit Account	9,263,550.00	9,395,977.61	7,999,029.00	8,033,782.91
TOTAL		**9,643,011.41**		**8,203,389.71**
SCHEDULE D				
Current Liabilities				
Creditors For Expenses				
Payable to Auditors		41,884.00		35,264.00
Profession Tax payable		2,500.00		---
Accounting charges payable		7,392.00		6,000.00
Salary Payable		99,997.00		99,997.00
TOTAL		**151,773.00**		**141,261.00**

For **PRIMARY DEALERS' ASSOCIATION OF INDIA**

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

Ashutosh Pednekar
Partner

Mumbai
August 22, 2006.

Shri G. Narayanan
Director
(Managing Director Securities Trading Corporation of India Ltd.)

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(Managing Director Corpbank Securities Ltd.)

Shri V. K. Gupta
Director
(Managing Director & CEO SBI DFHI Limited)

Shri B. P. Rohilla
Director
(Managing Director BOB Capital Markets Limited)

Mumbai
August 22, 2006.

SCHEDULES 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 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 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 D forming part of the Balance Sheet and Income & Expenditure Account.

For **PRIMARY DEALERS' ASSOCIATION OF INDIA**

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

Ashutosh Pednekar
Partner

Mumbai
August 22, 2006.

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Director
(Managing Director
BOB Capital Markets Limited)

Mumbai
August 22, 2006.

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	31-05-2006		

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	13.50	Net Fixed Assets	NIL
Reserves & Surplus	81.41	Investments	NIL
Secured Loans	NIL	Net Current Assets	94.91
Unsecured Loans	NIL	Misc. Expenditure	NIL
		Accumulated Losses	NIL

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

Turnover - Income	17.57
Total Expenditure	3.28
Profit Before Tax	14.29
Profit After Tax	14.29
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