PRIMARY DEALERS' ASSOCIATION OF INDIA

10th Annual Report
2006 - 2007

PRIMARY DEALERS' ASSOCIATION OF INDIA

BOARD OF DIRECTORS

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

Shri NITIN JAIN
Sr. Vice President
ICICI Securities

Shri JAYESH MEHTA
Managing Director
DSP Merrill Lynch

Shri CVR RAJENDRAN
Deputy General Manager
Corporation Bank

Shri A. K. GUPTA
Managing Director
PNB Gilts

Shri Pradeep Madhav
Managing Director & CEO
STCI Primary Dealer

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. : 2262 5970 / 2262 5972
Fax : 2262 5968

DIRECTORS' REPORT

To
The Members

Your Directors have great pleasure in presenting herewith the Tenth Annual Report of the Primary Dealers' Association of India together with the Income and Expenditure Account for the period ended March 31, 2007 and the Balance Sheet as at that date.

1. OPERATING ENVIRONMENT :

The budgeted gross borrowing programme of the Government of India for the year 2006-07 was Rs. 1,78,856 Crores, comprising gross borrowing by way of Dated Government Securities at Rs. 1,52,856 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. 1,73,500 Crores, comprising Rs. 1,47,500 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. 29,000 Crores at end March 2006 to Rs. 62,794 Crores as on March 30, 2007. 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 5.50 percent and 6.50 percent as at the beginning of the fiscal to 6.00 percent and 7.75 percent at the end of the fiscal coupled with CRR hike from 5 percent at the beginning of the fiscal to 6.50 percent at March end 2007; the stabilization of the electronic order matching trading module for Government Securities on NDS platform of RBI; starting 'When Issued' transactions in Central Government Securities from July 2006; introducing of electronic order matching trading module for Treasury Bills and Call Money transactions from July 31, 2006 and September 2006 respectively; Reserve Bank of India permitting 5-days short selling of Government Securities on NDS-OM from January 31, 2007.

The year 2006-07 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 towards the end of the fiscal owing to combined effect of tightening liquidity as well as series of CRR and Repo Rate hikes of 50 and 25 basis points respectively by Reserve Bank of India. Consequently, domestic 10 year benchmark yield rose from 7.54 percent at the beginning of the fiscal to 7.94 percent towards the end of the fiscal. Volatile rates forced many participants to the sidelines and the volumes in the secondary market remained sluggish.

2. MEMBERS :

The admission fee and annual subscription fee of the Association remained at Rs.75,000/-. During the year under review :

i) The following members discontinued their business as primary dealers and consequently, ceased to be members of the Association :

   a) Citicorp Capital Markets Ltd.
   b) Standard Chartered-UTI Securities India Pvt. Ltd.
   c) Banc of America Securities (India) Pvt. Ltd.
   d) BOB Capital Markets Ltd.
   e) Gilts Securities Trading Corporation Ltd.
   f) Kotak Mahindra Capital Company Ltd.
   g) Corp Bank Securities Ltd.
   h) HSBC Primary Dealership India Pvt. Ltd.
   i) Securities Trading Corporation of India Ltd.

ii) The following corporates were admitted as members of the Association :

   i) Bank of America
   ii) Kotak Mahindra Bank Ltd.
   iii) Corporation Bank
   iv) Canara Bank

v) HDFC Bank Ltd.
vi) Standard Chartered Bank
vii) Citibank NA
viii) STCI Primary Dealer Ltd.
ix) Bank of Baroda

3. FINANCIAL RESULTS :

The Income and Expenditure Account for the ending March 31, 2007 of the Association shows a surplus of Rs.17,91,352/- as compared to Rs.11,29,716/- 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 in close co-ordination with Reserve Bank of India, Ministry of Finance, FIMMDA and other Authorities for speedy and orderly development of G-Sec. Market in India. The Association has been having constant dialogue with RBI on various issues relevant to deepending of debt market including diversification into areas such as foreign exchange, equities and commodities with the avowed aim of strengthening the PD System. It was only because of the consistent and constant follow up with RBI that your Association was successful in persuading RBI to initiate the process of successive insurance of 5, 10, 15 and 30 year papers with the objective of developing the yield curve. Diversification of activities permitted by RBI to Primary Dealers during the year under review is another example of the success of endeavors made by your Association vis-à-vis Reserve Bank of India.

In association with FIMMDA, a Two-day PDAI-FIMMDA Conference was also organized on 23rd and 24th February, 2007 at Agra wherein more than 200 delegates participated; the key-note address was delivered by Dr. Rakesh Mohan, Deputy Governor, Reserve Bank of India, which was highly appreciated by the participants.

5. DIRECTORATE :

During the year under review :

(a) Shri D. G. Kamath ceased to be a Director consequent upon cession of Gilts Securities Corporation of India Ltd as member of PDAI ;

(b) Shri B. P. Rohilla ceased to be a Director consequent upon cession of BOB Capital Markets Ltd. as member of PDAI ; and

(c) Shri G. Narayanan ceased to be the Director consequent upon cession of Securities Trading Corporation of India Ltd. as member of PDAI ;

Your Directors place on record the valuable contribution made by S/Shri G. Narayanan, D. G. Kamath and B. P. Rohilla during their tenure as Directors of the Association.

(d) Shri CVR Rajendran ceased to be the Director consequent upon cession of Corp Bank Securities Ltd. as member of PDAI. However, he was co-opted as an Additional Director (representing Corporation Bank) of the Company on June 27, 2007 by the Board of Directors (in terms of Article 49(a) of Articles of Association of the Company) and who holds office upto the date of ensuing Annual General Meeting, and he is eligible for reappointment. The Company has received a Notice from a member under section 257 of the Companies Act, 1956 proposing the candidature of Shri Rajendran for the office of Director liable for retirement by rotation.

(e) Shri Pradeep Madhav was co-opted as an Additional Director (representing STCI Primary Dealer Ltd.) of the Company on June 27, 2007 by the Board of Directors (in terms of Article 49(a) of Articles of Association of the Company) and who holds office upto the date of ensuing Annual General Meeting, and he is eligible for reappointment. The Company has received a Notice from a member under section 257 of the Companies Act, 1956 proposing the candidature of Shri Pradeep Madhav for the office of Director liable for retirement by rotation.

In terms of Article 43(B) (b) of the Articles of Associations, S/Shri Jayesh Mehta and A. K. Gupta 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.

Registered Office

Primary Dealers' Association of India

C/o. **SBI DFHI LIMITED**
Voltas House (3rd Floor),
23, J. N. Heredia Marg,
Ballard Estate, Mumbai - 400 001.

By order of the Board

(V. K. Gupta)
Chairman

Date : 27th June, 2007

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 2007 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 account 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, 2007 we report that none of the Directors are disqualified as on March 31, 2007 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 2007;

   (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. 41037

Mumbai
June 27, 2007.

PRIMARY DEALERS' ASSOCIATION OF INDIA
BALANCE SHEET AS AT 31ST MARCH, 2007

(Amount In Rs.)

Particulars	Schedule No.		As at 31.03.2007		As at 31.03.2006
SOURCES OF FUNDS					
Own Funds					
Corpus Contribution	A		1,500,000		1,350,000
Reserves and Surplus	B		9,932,590		8,141,238
TOTAL			**11,432,590**		**9,491,238**
APPLICATION OF FUNDS					
Current Assets, Loans & Advances					
Current Assets	C	11,506,907		9,643,011	
Less : Current Liabilities	D	74,317		151,773	
Net Current Assets (C-D)			**11,432,590**		9,491,238
TOTAL			**11,432,590**		**9,491,238**
Notes to Accounts	I				

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
June 27, 2007.

Shri V. K. Gupta
Managing Director & CEO
SBI DFHI Limited
Voltas House, Ballard Estate,
Mumbai - 400 001.

Shri Jayesh Mehta
Managing Director &
Head - Debt. Markets
DSP Merrill Lynch Limited
Nariman Point, Mumbai - 400 021.

Shri Nitin Jain
Sr. Vice President
ICICI Securities Limited
Churchgate,
Mumbai - 400 020.

Shri A. K. Gupta
Managing Director
PNB Gilts Limited
5, Sansad Marg,
New Delhi - 110 001.

Shri CVR Rajendran
Dy. General Manager
Corporation Bank
Mumbai - 400 021.

Shri Pradeep Madhav
Managing Director & CEO
STCI Primary Dealer Ltd.
Mumbai - 400 013.

Mumbai
June 27, 2007.

PRIMARY DEALERS' ASSOCIATION OF INDIA

INCOME & EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

(Amount in Rs.)

Particulars	Schedule No.	As at 31.03.2007	As at 31.03.2006
INCOME			
Membership Fees	E	1,425,000	1,275,000
Other Income	F	598,719	482,361
Provision no longer required		99.997	---
TOTAL (A)		**2,123,716**	**1,757,361**
EXPENDITURE			
Payment to Auditors	G	61,274	41,884
Administrative Expenses	H	271,090	285,762
TOTAL (B)		**332,364**	**327,646**
PROFIT / (LOSS)			
Profit / (Loss) Before tax		1,791,352	1,429,716
Profit / (Loss) Transfer to Balance Sheet		**1,791,352**	**1,429,716**
Notes on Accounts	I		

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
June 27, 2007.

Shri V. K. Gupta
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Mumbai
June 27, 2007.

PRIMARY DEALERS' ASSOCIATION OF INDIA

SCHEDULES ATTACHED TO AND FORMING PART OF BALANCE SHEET AND PROFIT & LOSS ACCOUNT AS AT 31ST MARCH, 2007

(Amount in Rs.)

Particulars	As at 31.03.2007	As at 31.03.2006
SCHEDULE 'A' : Corpus Contribution		
Opening Balance	1,350,000	1,350,000
Add : Entrance fee received during the year	150,000	---
TOTAL	**1,500,000**	**1,350,000**
SCHEDULE 'B' : Reserves & Surplus		
Opening Balance	8,141,238	6,712,128
Add : Excess of Income over Expenditure as per Income & Expenditure Account	1,791,352	1,429,110
TOTAL	**9,932,590**	**8,141,238**
SCHEDULE 'C' : Current Assets, Loans		
Loans & Advances		
Cash and Bank Balance		
Canara Bank	161,293	103,247
HSBC Bank	29,180	29,180
Canara Bank - on Deposit account	10,492,390	9,263,550
TOTAL	**10,682,864**	**9,395,978**
Loans & Advances		
Other Assets		
Membership fee receivable	75,000	---
Accrued Interest on FDR	464,401	25,570
TDS AY 05-06	51,964	51,964
TDS AY 06-07	51,857	51,857
TDS AY 07-08	63,179	---
TOTAL	**706,401**	**129,391**
GRAND TOTAL	**11,506,907**	**9,643,011**
SCHEDULE 'D' : Current Liabilities & Provisions		
Current Liabilities		
Accounting charges payable	8,043	7,392
Payable to Auditors	61,274	41,884
Profession Tax payable	5,000	2,500
Salary Payable	---	99,997
TOTAL	**74,317**	**151,773**
SCHEDULE 'E' : Membership Fees	**1,425,000**	**1,275,000**

PRIMARY DEALERS' ASSOCIATION OF INDIA

SCHEDULES ATTACHED TO AND FORMING PART OF BALANCE SHEET AND PROFIT & LOSS ACCOUNT AS AT 31ST MARCH, 2007

(Amount in Rs.)

Particulars	As at 31.03.2007	As at 31.03.2006
SCHEDULE 'F' : Other Income		
Interest on Fixed Deposites - TDS Rs.	598,719	482,361
TOTAL	**598,719**	**482,361**
SCHEDULE 'G' : Payment to Auditors		
Audit Fees	35,000	25,000
Tax Matters	15,000	10,000
Service Tax	6,740	4,284
Out of Pocket expenses	4,534	2,600
TOTAL	**61,274**	**41,884**
SCHEDULE 'H' : Administration Expenses		
Salary	---	61,600
Printing & Stationery Expenses	42,243	36,845
Registration charges for Domain Name	---	4,150
Filing Fees	---	100
Professional Fees	127,954	93,568
Postage and Telegram	18,000	18,590
Conference and Seminar Expenses	43,339	---
Profession Tax	2,500	2,500
Office Expn.	6,868	2,333
Conveyance	5,917	3,780
Computer Charges	---	4,950
AGM Expenses	16,170	50,000
Accounting Charges	8,043	7,346
TOTAL	**271,034**	**285,762**

For **PRIMARY DEALERS' ASSOCIATION OF INDIA**

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

Ashutosh Pednekar
Partner

Mumbai
June 27, 2007.

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Mumbai
June 27, 2007.

PRIMARY DEALERS' ASSOCIATION OF INDIA

SCHEDULES FORMING PART OF ACCOUNTS
SCHEDULE "I"
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 E 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
June 27, 2007.

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