PRIMARY DEALERS' ASSOCIATION OF INDIA

11th Annual Report
2007 - 2008

BOARD OF DIRECTORS

Shri JAYESH MEHTA
Chairman
DPS Merrill Lynch

Shri A. K. GUPTA
Managing Director
PNB Gilts

Shri PRADEEP MADHAV
Managing Director
STCI Primary Dealer

Shri CVR RAJENDRAN
General Manager
Corporation Bank

Shri Y. S. S. KAPDI
Managing Director &
Chief Executive Officer
SBI DFHI Limited

Shri AJAY MARWAHA
Senior Vice President
Lehman Brothers Fixed
Income Securities Pvt. Ltd.

Shri B. PRASANNA
Managing Director &
Chief Executive Officer
ICICI Securities Primary Dealers Ltd.

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 Eleventh Annual Report of the Primary Dealers' Association of India together with the Income and Expenditure Account for the period ended March 31, 2008 and the Balance Sheet as at that date.

OPERATING ENVIRONMENT :

Financial Year 2007-2008 was one of the most challenging years for Primary Dealers to run trading positions and manage the inherent interest rate risks. Almost all economic indicators showed sharp swings.

The commodity prices moved up sharply at a time when global growth appeared to slow down on the back of US sub-prime mortgage crisis and the sharp slowdown in the housing sector. US Fed cut rates from 5.25% to 2% aiding the commodity boom and resulting in a pick up in headline inflation globally in the second half of the year.

In India, inflation based on WPI softened from 6.4% at the beginning of the year to a low of 3.1% in October 07 and moved up sharply at the end of the year to touch 8% in March 08 and is currently at around 12.5%. During FY2007-08, while RBI kept the Bank Rate, Repo Rate and Reverse Repo rate unchanged, it raised the Cash Reserve Ratio four times from 6% to 7.5%. RBI has taken very strong steps after April 2008 to control inflation.

Money and debt markets witnessed very high turbulence during the year. Apart from economic events, the high volatility in overnight rates ranging from 15% to 0% in the first half of the year led to sharp swings in both swap rates and money market instruments.

Indian Government Securities market saw a hardening of the yields during the first quarter of 2007-08 on the back of RBI action and tight liquidity conditions. The yields subsequently moved down sharply from a high of 8.4% to a low of 7.4% on the back of lower inflation, very easy liquidity conditions and rate cuts by US Federal Reserve Bank. The yields started hardening again in the last two months of the year in response to higher inflation releases in India and sharp up move in oil prices globally.

MEMBERS :

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

   (a) DSP Merrill Lynch Limited had discontinued its business as primary dealers and consequently, ceased to be member of the Association; and

   (b) The following corporates were admitted as members of the Association:
      (i) DSP Merrill Lynch Securities Trading Limited;
      (ii) The Hongkong and Shanghai Banking Corporation Limited;
      (iii) IDBI Gilts Limited; and
      (iv) Lehman Brothers Fixed Income Securities Private Limited

FINANCIAL RESULTS

The Income and Expenditure Account for the ending March 31, 2008 of the Association shows a surplus of Rs.1,693,108/- as compared to Rs.1,791,352/- in the previous financial year. This has been carried to the Balance Sheet under Reserves and Surplus.

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 deepening of debt market including diversification into areas such as foreign exchange, equities and commodities with the avowed aim of strengthening the PD system. Your Association is actively involved in new initiatives like currency futures, interest rate futures, inflation linked bonds and STRIPs. 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-a-vis Reserve Bank of India.

In association with FIMMDA, a Two-day PDAI-FIMMDA Conference was also organized on 26^{th}-28^{th} January, 2008 at Cairo wherein more than 200 delegates participated, and the key-note address was delivered by Mrs Shyamala Gopinath, Deputy Governor, Reserve Bank of India, which was highly appreciated by the participants.

DIRECTORATE:

During the year under review :

(a) Smt Renu Challu was appointed as Director in the casual vacancy caused on account of superannuation of Shri V. K. Gupta from the service of SBI DFHI Ltd. Your Directors placed on record the valuable contribution made by Shri Gupta during his tenure as Director and Chairman of the Association.

(b) Shri Jayesh Mehta ceased to be the Director consequent upon cessation of DSP Merrill Lynch Limited as member of PDAI. However, he was co-opted as an Additional Director (representing DSP Merrill Lynch Securities Trading Limited) of the Company on December 20, 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 Jayesh Mehta for the office of Director liable for retirement by rotation.

(c) Shri Ajay Marwaha was co-opted as an Additional Director (representing Lehman Brothers Fixed Income Securities Private Limited) of the Company on May 9, 2008 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 Ajay Marwaha for the office of Director liable for retirement by rotation.

(d) Shri YSS Kapdi was appointed as Director in the casual vacancy caused on account of transfer of Smt Renu Challu to State Bank of Hyderabad as its Managing Director. Your Directors place on record the contribution made by Smt Renu Challu during her tenure as Director of the Association.

(e) Shri B. Prasanna was appointed as Director in the casual vacancy caused on account of resignation of Shri Nitin Jain from the service of ICICI Securities Primary Dealership Ltd. Your Directors placed on record the valuable contribution made by Shri Jain during his tenure as Director of the Association.

(f) In terms of Article 43(B) (b) of the Articles of Associations, Shri YSS Kapdi. and Shri B. Prasanna will retire at the ensuing Annual General Meeting and are eligible to offer themselves for re-appointment.

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.

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.

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.

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 judgments 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.

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

(Jayesh Mehta)
Chairman

Date : August 22, 2008

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 2008 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, 2008 we report that none of the Directors are disqualified as on March 31, 2008 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 2008;

    (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
August 22, 2008

BALANCE SHEET AS AT 31ST MARCH, 2008

(Amount in Rs.)

Particulars	Schedule No.		As at 31.03.2008		As at 31.03.2007
SOURCES OF FUNDS					
Own Funds					
Corpus Contribution	A		2,325,000		1,500,000
Reserves and Surplus	B		11,625,698		9,932,590
TOTAL			13,950,698		11,432,590
APPLICATION OF FUNDS					
Current Assets, Loans & Advances					
Current Assets	C	14,699,788		11,506,907	
Less : Current Liabilities	D	749,090		74,317	
Net Current Assets (C-D)			13,950,698		11,432,590
TOTAL			13,950,698		11,432,590
Notes to Accounts	I				

As per our Report attached

For PRIMARY DEALERS' ASSOCIATION OF INDIA

For M.P. Chitale & Co.
Chartered Accountants

Ashutosh Pednekar
Partner

Mumbai
August 22, 2008.

Shri Jayesh Mehta
Chairman
DSP Merill Lynch
Securities Trading Ltd
Nariman Point, Mumbai - 21.

Shri B. Prasanna
Managing Director & Chief Executive Officer
ICICI Securities Primary Dealership Limited
Charchgate, Mumbai - 20.

Shri Pradeep Madhav
Managing Director
STCI Primary Dealer Ltd.
Lower Parel (W),
Mumbai - 400 013.

Shri Ajay Marwaha
Senior Vice President
Lehman Brothers Fixed Income Securities P Ltd.
Dr. Annie Besant Road,
Worli, Mumbai - 400 018.

Place : Mumbai
Date : August 22, 2008.

INCOME & EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008

(Amount in Rs.)

Particulars	Schedule No.	As at 31.03.2008	As at 31.03.2007
INCOME			
Membership Fees	E	1,650,000	1,425,000
Other Income	F	1,161,101	598,719
Provision no longer required		-	99,997
TOTAL (A)		2,811,101	2,123,716
EXPENDITURE			
Payment To Auditors	G	61,274	61,274
Administrative Expenses	H	396,441	271,090
TOTAL (B)		457,715	332,364
PROFIT/LOSS			
Profit / (Loss) Before tax		2,353,386	1,791,352
Provision for Tax : Current Year		345,000	
Profit for the Tax		2,008,386	1,791,352
Provision for Tax : Earlier Year		315,278	
Profit / (Loss) Transfer to Balance Sheet		1,693,108	1,791,352
Notes on Accounts	I		

As per our Report attached

For PRIMARY DEALERS' ASSOCIATION OF INDIA

For M.P. Chitale & Co.
Chartered Accountants

Ashutosh Pednekar
Partner

Mumbai
August 22, 2008

Shri Jayesh Mehta
Chairman
DSP Merill Lynch
Securities Trading Ltd
Nariman Point, Mumbai - 21.

Shri B. Prasanna
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Shri Ajay Marwaha
Senior Vice President
Lehman Brothers Fixed
Income Securities P Ltd
Dr Annie Besant Road.
Worli, Mumbai 400 018

Place : Mumbai
Date : August 22, 2008

SCHEDULES ATTACHED TO AND FORMING PART OF BALANCE SHEET AS AT AND INCOME & EXPENDITURE ACCOUNT FOR THE YEAR ENDING 31ST MARCH, 2008

(Amount in Rs.)

Particulars	As at 31.03.2008	As at 31.03.2007
SCHEDULE 'A' : Corpus Contribution		
Opening Balance	1,500,000	1,350,000
Add : Entrance fee received during the year	825,000	150,000
TOTAL	2,325,000	1,500,000
SCHEDULE 'B' : Reserves & Surplus		
Opening Balance	9,932,590	8,141.238
Add : Excess of Income over Expenditure as per Income & Expenditure Account	1,693,108	1.791,352
TOTAL	11,625,698	9,932,590
SCHEDULE 'C' : Current Assets. Loans Loans & Advances		
Bank Balances with scheduled Banks		
Canara Bank	201,198	161.293
HSBC Bank	-	29.180
Canara Bank - on Deposit account	12,800,243	10.492,390
TOTAL	13,001,441	10,682,863
Advances Recoverable in cash or kind for value to be received		
Membership fee receivable	-	75.000
Accrued Interest on FDR	972,529	464.401
Advance Tax	725,818	284.643
TOTAL	1,698,347	824,044
GRAND TOTAL	14,699,788	11,506,907
SCHEDULE 'D' : Current Liabilities & Provisions		
Current Liabilities		
Provision for income tax	660,278	-
Accounting charges payable	8,848	8,043
Payable to Auditors	79,964	61.274
Profession Tax payable	-	5,000
TOTAL	749,090	74,317

SCHEDULES ATTACHED TO AND FORMING PART OF BALANCE SHEET AS AT AND INCOME & EXPENDITURE ACCOUNT FOR THE YEAR ENDING 31ST MARCH, 2008

(Amount in Rs.)

Particulars	As at 31.03.2008	As at 31.03.2007
SCHEDULE 'E' : Membership Fees	1,650,000	1,425,000
SCHEDULE 'F' : Other Income		
Interest on Fixed Deposites - TDS Rs. (TDS Rs. 125,897, PY Rs.63179)	1,161,101	598,719
TOTAL	1,161,101	598,719
SCHEDULE 'G' : Payment to Auditors		
Audit Fees	35,000	35,000
Tax Matters	15,000	15,000
Service Tax	6,740	6,740
Out of Pocket expenses	4,534	4,534
TOTAL	61,274	61,274
SCHEDULE 'H' : Administration Expenses		
Printing & Stationery Expenses	44,154	42,243
Professional Fees	161,800	127,954
Postage and Telegram	19,000	18,000
Conference and Seminar Expenses	131,000	43,339
Profession Tax	5,000	2,500
Office Expn.	2,150	6,924
Conveyance	4,010	5,917
AGM Expenses	17,000	16,170
Accounting Charges	8,848	8,043
Bank Interest	3,479	-
TOTAL	396,441	271,090

For PRIMARY DEALERS' ASSOCIATION OF INDIA

Shri Jayesh Mehta
Chairman
DSP Merill Lynch
Securities Trading Ltd
Nariman Point, Mumbai - 21.

Shri B. Prasanna
Managing Director & Chief
Executive Officer
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Shri Ajay Marwaha
Senior Vice President
Lehman Brothers Fixed
Income Securities P Ltd.
Dr. Annie Besant Road,
Worli, Mumbai - 400 018.

Place : Mumbai
Date : August 22, 2008.

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 after considering 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 I 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, 2008.

Shri Jayesh Mehta
Chairman
DSP Merill Lynch Securities Trading Ltd
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Shri Ajay Marwaha
Senior Vice President
Lehman Brothers Fixed Income Securities P Ltd.
Dr. Annie Besant Road,
Worli, Mumbai - 400 018.

Place : Mumbai
Date : August 22, 2008.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

a) Registration Details

Registration No.	11-112605	State Code	11
Balance Sheet Date	31-03-2008		

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	23.25	Net Fixed Assets	NIL
Reserves & Surplus	116.26	Investments	NIL
Secured Loans	NIL	Net Current Assets	139.51
Unsecured Loans	NIL	Misc. Expenditure	NIL
		Accumulated Losses	NIL

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

Turnover - Income	28.11
Total Expenditure	4.58
Profit Before Tax	23.53
Profit After Tax	20.08
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