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PLEASE LIFT FOLDOUT FOR CORPORATE STRUCTURE

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**AUDITORS' REPORT TO THE BOARD OF DIRECTORS ON  
THE CONSOLIDATED FINANCIAL STATEMENTS OF  
DYNAMATIC TECHNOLOGIES LIMITED AND ITS SUBSIDIARIES**

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1. We have audited the attached consolidated balance sheet of Dynamatic Technologies Limited ('the Company') and its subsidiaries (collectively called 'the Dynamatic Group') as at 31 March 2010, the consolidated profit and loss account and the consolidated cash flow statement together known as 'consolidated financial statements' for the year ended on that date, annexed thereto. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

generally accepted accounting principles in India. The reporting packages made for this purpose have been audited by the other auditors and reports of those other auditors have been furnished to us. Our opinion on the consolidated financial statements, insofar as it relates to these entities, is based on the aforesaid audit reports of these other auditors.
2. 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements and other financial information of certain subsidiaries. These subsidiaries account for 13.33% of total assets and 32.00% of total revenues and other income, as shown in these consolidated financial statements. Of the above:
  - a. The financial statements and other financial information of some of the subsidiaries incorporated outside India as drawn up in accordance with the generally accepted accounting principles of the respective countries ('the local GAAP') have been audited by other auditors duly qualified to act as auditors in those countries. These subsidiaries account for 12.51% of total assets and 32.00% of total revenue and other income as shown in these consolidated financial statements. For purposes of preparation of consolidated financial statements, the aforesaid local GAAP financial statements have been restated by the management of the said entities so that they conform to the generally accepted accounting principles in India. This has been done on the basis of a reporting package prepared by the Company which covers accounting and disclosure requirements applicable to consolidated financial statements under the
  - b. The financial statements and other financial information of the remaining subsidiaries have been audited by other auditors. These subsidiaries account for 0.82% of total assets as shown in these consolidated financial statements. The auditor's report has been furnished to us and our opinion on the consolidated financial statements, in so far as it relates to these entities, is based on the aforesaid audit reports of these other auditors.
4. Based on our audit and to the best of our information and according to the explanations given to us and on consideration of reports of other auditors on separate financial statements, in our opinion the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
  - a. in the case of the consolidated balance sheet, of the state of affairs of the Dynamatic Group as at 31 March 2010;
  - b. in the case of the consolidated profit and loss account, of the profit of the Dynamatic Group for the year ended on that date; and
  - c. in the case of the consolidated cash flow statement, of the cash flows of the Dynamatic Group for the year ended on that date.

*for B S R & Associates*  
*Chartered Accountants*  
Firm Registration number: 116231W



**Rajesh Arora**  
*Partner*  
Membership No. 076124

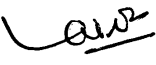
Bangalore  
31 July 2010

## CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2010

		As at 31 March 2010	(Rs in '000) As at 31 March 2009
<b>SOURCES OF FUNDS</b>	<b>Schedule</b>		
<b>Shareholders' funds</b>			
Share capital	2	54,147	54,147
Reserves and surplus	3	1,152,504	1,067,459
<b>Minority interest</b>		1	1
<b>Loan funds</b>			
Secured loans	4	2,407,105	2,654,864
Unsecured loans	5	119,232	182,066
<b>Deferred tax liability, net</b>	20(4)	239,622	218,612
		<b>3,972,611</b>	<b>4,177,149</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed assets</b>			
Gross block	6	3,792,863	3,435,651
Less: Accumulated depreciation		1,307,487	1,098,065
Net block		2,485,376	2,337,586
Capital work-in-progress		105,351	310,490
		<b>2,590,727</b>	<b>2,648,076</b>
<b>Goodwill on consolidation</b>		302,224	322,804
<b>Investments</b>	7	-	-
<b>Foreign currency monetary item translation difference account</b>		7,883	62,382
<b>Current assets, loans and advances</b>			
Inventories	8	627,152	633,463
Sundry debtors	9	920,130	965,522
Cash and bank balances	10	227,670	247,691
Other current assets	11	37,857	28,935
Loans and advances	12	228,441	214,869
		<b>2,041,250</b>	<b>2,090,480</b>
<b>Current liabilities and provisions</b>			
Current liabilities	13	924,537	899,094
Provisions	14	44,936	47,499
		<b>969,473</b>	<b>946,593</b>
<b>Net current assets</b>		<b>1,071,777</b>	<b>1,143,887</b>
		<b>3,972,611</b>	<b>4,177,149</b>
<b>Significant accounting policies</b>	1		
<b>Notes to the consolidated financial statement</b>	20		

The schedules referred to above forms an integral part of the consolidated balance sheet.

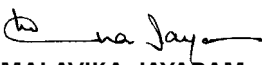
As per our report attached  
**for B S R & Associates**  
Chartered Accountants  
Firm Registration  
number: 116231W


  
**Rajesh Arora**  
Partner  
Membership number 076124

Place : Bangalore  
Date : 31 July 2010

for and on behalf of the Board of Directors

  
**Dr. K APRAMEYAN**  
Director

  
**MALAVIKA JAYARAM**  
Director

  
**V SUNDER**  
President and Group CFO

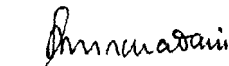
  
**N RAM MOHAN**  
Financial Controller

  
**S GOVINDARAJAN**  
Director

  
**N RAJAGOPAL**  
Executive Director and CTO

  
**UDAYANT MALHOUTRA**  
CEO and Managing Director

  
**G HARITHA**  
GM- Compliance & Company Secretary

  
**GOVIND MIRCHANDANI**  
Director

  
**B SESHNATH**  
Executive Director and CMO

# CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

		(Rs in '000)	
		For the year ended 31 March 2010	For the year ended 31 March 2009
<b>Income</b>	<b>Schedule</b>		
Sale of manufactured products		4,482,227	4,354,405
Less: Excise duty		229,534	378,260
Sale of manufactured products, net		<u>4,252,693</u>	<u>3,976,145</u>
Income from project execution services		142,379	100,769
Service income		3,825	6,474
Other income	15	<u>52,692</u>	<u>112,837</u>
		<u>4,451,589</u>	<u>4,196,225</u>
<b>Expenditure</b>			
Cost of materials consumed	16	2,254,731	2,116,528
Personnel expenses	17	835,391	794,482
Other operating expenses	18	<u>728,507</u>	<u>867,345</u>
		<u>3,818,629</u>	<u>3,778,355</u>
<b>Profit before depreciation, interest, minority interest and tax (EBITDA)</b>		<u>632,960</u>	<u>417,870</u>
Depreciation	6	225,390	200,852
Interest and finance charges	19	<u>249,225</u>	<u>213,490</u>
<b>Profit before minority interest and tax</b>		<u>158,345</u>	<u>3,528</u>
Provision for tax			
- current tax		43,888	3,997
- minimum alternate tax credit entitlement		(11,928)	(12,145)
- deferred tax charge		21,010	58,705
- fringe benefit tax		-	4,957
-Wealth tax		<u>229</u>	<u>297</u>
<b>Profit after tax and before minority interest</b>		<u>105,146</u>	<u>(52,283)</u>
Minority interest		-	-
<b>Profit/(loss) for the year</b>		<u>105,146</u>	<u>(52,283)</u>
Balance brought forward from previous year		<u>170,424</u>	<u>252,917</u>
<b>Amount available for appropriation</b>		<u>275,570</u>	<u>200,634</u>
<b>Appropriations</b>			
Dividend:			
- Interim dividend		24,366	13,537
- Proposed dividend		16,244	8,122
-Tax on dividend		6,901	3,681
Transferred to general reserve		10,818	4,870
Balance carried forward		<u>217,241</u>	<u>170,424</u>
		<u>275,570</u>	<u>200,634</u>
Earnings per share - basic and diluted (Equity share par value Rs.10 each)		19.42	(10.06)
<b>Significant accounting policies</b>	1		
<b>Notes to the consolidated financial statements</b>	20		

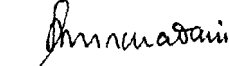
The schedules referred to above form an integral part of the Consolidated profit and loss account.

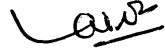
As per our report attached  
**for B S R & Associates**  
Chartered Accountants  
Firm Registration  
number: 116231W


for and on behalf of the Board of Directors

  
**Dr. K APRAMEYAN**  
Director

  
**S GOVINDARAJAN**  
Director

  
**GOVIND MIRCHANDANI**  
Director

  
**Rajesh Arora**  
Partner  
Membership number 076124

  
**MALAVIKA JAYARAM**  
Director

  
**N RAJAGOPAL**  
Executive Director and CTO

  
**B SESHNATH**  
Executive Director and CMO

  
**V SUNDER**  
President and Group CFO

  
**UDAYANT MALHOUTRA**  
CEO and Managing Director

Place : Bangalore  
Date : 31 July 2010

  
**N RAM MOHAN**  
Financial Controller

  
**G HARITHA**  
GM- Compliance & Company Secretary

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2010

	(Rs in '000)	
	31 March 2010	31 March 2009
<b>A. Cash flow from operating activities:</b>		
Profit before tax	158,345	3,528
Adjustments for:		
Depreciation	225,390	200,852
Interest expense	249,225	213,490
Interest income	(3,490)	(8,883)
(Profit)/loss on fixed assets sold	1,272	(38,352)
Bad and doubtful debts / advances written off	1,223	979
Provision for bad and doubtful debts/ advances	7,764	7,905
Impairment of goodwill arising on consolidation	-	32,385
Liability no longer required written back	(996)	(627)
Unrealised foreign exchange (gain) /loss	(16,795)	22,521
Amortisation of foreign currency monetary item translation difference account	36,463	53,173
Provision for warranty	-	2,028
<b>Operating cashflow before working capital changes</b>	<b>658,401</b>	<b>488,999</b>
<b>Adjustments for changes in working capital :</b>		
- Decrease/ (increase) in sundry debtors	36,404	(181,938)
- (Increase) in other receivables	(6,603)	(74,966)
- Decrease/(increase) in inventories	6,311	(190,512)
- Increase/(decrease) in trade and other payables	72,375	(31,806)
- Decrease/(increase) in provisions	(1,017)	8,275
Adjustment for unrealised foreign exchange gain/(loss)	16,794	(22,521)
Exchange difference on translation of subsidiaries	(30,197)	(88,004)
<b>Cash generated from operating activities</b>	<b>752,468</b>	<b>(92,473)</b>
- Income tax paid	(39,291)	(9,186)
- Fringe benefit tax paid	-	(7,369)
<b>Net cash from operating activities</b>	<b>713,177</b>	<b>(109,028)</b>
<b>B. Cash flow from Investing activities:</b>		
Purchase of fixed assets	(220,416)	(730,195)
Proceeds from sale of fixed assets	3,562	87,641
Proceeds from repayment of loans/ICDs	-	23,284
Interest received	(39)	14,330
Acquisition of business division	-	(320,813)
Goodwill on consolidation	20,580	(346,121)
<b>Net cash used in investing activities</b>	<b>(196,313)</b>	<b>(1,271,874)</b>

(Rs in '000)

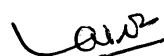
31 March 2010 31 March 2009

**C. Cash flow from financing activities:**

Proceeds from borrowings	173,848	1,142,850
Repayment of borrowings	(318,751)	(250,382)
Proceeds from issue of shares [net of related share issue expenses Rs.nil (Previous year: Rs.8,759)]	-	736,577
Repayment of inter corporate deposits (net)	-	(5,000)
Repayment of public deposits (net)	12,345	(592)
Proceeds from cash credits/ working capital loans (net)	(28,580)	(25,690)
Proceeds from buyer's credit (net)	(74,800)	11,477
Interest paid	(247,652)	(207,131)
Dividend paid	(45,473)	(23,980)
Dividend tax paid	(7,822)	(3,407)
<b>Net cash used in financing activities</b>	<b>(536,885)</b>	<b>1,374,722</b>
<b>Net (decrease) in cash and cash equivalents</b>	<b>(20,021)</b>	<b>(6,180)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>247,691</b>	<b>253,871</b>
<b>Cash and cash equivalents at the end of the year*</b>	<b>227,670</b>	<b>247,691</b>
	<b>(20,021)</b>	<b>(6,180)</b>

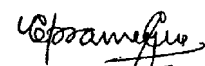
\* includes restricted term deposits Rs.27,684 (Previous year Rs.18,790)

As per our report attached  
for **B S R & Associates**  
Chartered Accountants  
Firm Registration  
number: 116231W



**Rajesh Arora**  
Partner  
Membership number 076124

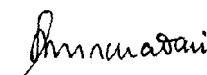
for and on behalf of the Board of Directors



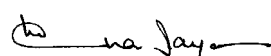
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Director



**GOVIND MIRCHANDANI**  
Director



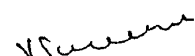
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President and Group CFO



**UDAYANT MALHOUTRA**  
CEO and Managing Director



**N RAM MOHAN**  
Financial Controller



**G HARITHA**  
GM- Compliance & Company Secretary

Place : Bangalore  
Date : 31 July 2010

## SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Schedule 1 - Significant accounting policies

#### a. Basis of accounting and preparation of consolidated financial statements

The consolidated financial statements have been prepared and presented in accordance with the Indian Generally Accepted Accounting Principles ("GAAP") under the historical cost convention on the accrual basis. GAAP comprises accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, the provisions of Companies Act, 1956 ("the Act") and guidelines issued by Securities and Exchange Board of India to the extent applicable. The consolidated financial statements have been prepared in Indian Rupee thousands.

#### b. Principles of consolidation

The consolidated financial statements include the financial statements of Dynamatic Technologies Limited ("Parent Company") and its subsidiaries (collectively referred to as 'the Dynamatic Group').

Sl. no.	Subsidiaries	Country of incorporation	Effective group share-holding%
1	JKM Research Farm Limited	India	99.99
2	JKM Global Pte Limited	Singapore	100
3	Dynamatic Limited	United Kingdom	100
4	DM 38 Limited	United Kingdom	100
5	Yew Tree Investments Limited	United Kingdom	100
6	Oldland Aerospace Limited	United Kingdom	100

The consolidated financial statements have been prepared on the following basis:

The financial statements have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances / transactions and resulting unrealized profits in full. The amounts shown in respect of reserves comprise the amount of the relevant reserves as per the balance sheet of the Parent Company and its share in the post-acquisition increase/decrease in the reserves of the consolidated entities.

The excess / deficit of cost to the Parent Company of its investment over its portion of net worth in the consolidated entities at the respective dates on which investment in such entities was made is recognized in the consolidated financial statements as goodwill/capital reserve.

The consolidated financial statements are presented, to the extent possible, in the same format as that adopted by the Parent Company for its separate financial statements.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

#### c. Use of estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses, during the reporting year. Examples of such estimates include estimates of provision for warranty, provision for doubtful debts and the useful life of fixed assets. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

#### d. Fixed assets and depreciation

Fixed assets are stated at the cost of acquisition or construction, less accumulated depreciation. All costs incurred in bringing the assets to its working condition for intended use have been capitalised.

Advances paid towards the acquisition of fixed assets and the cost of assets not put to use as at the balance sheet date are disclosed under capital work-in-progress.

Depreciation on fixed assets is provided using the straight-line method. The rates of depreciation prescribed in Schedule XIV to the Act are considered as minimum rates. If the Management's estimate of the useful life of a fixed asset at the time of the acquisition of the asset or of the remaining useful life on a subsequent review is shorter than envisaged in the aforesaid schedule, depreciation is provided at a higher rate based on the Management's estimate of the useful life/remaining useful life. Pursuant to this policy, depreciation on the following fixed assets has been provided at the following rates (straight line method), which are higher than the corresponding rates prescribed in Schedule XIV:

	Rate per annum
Data processing equipment	25%
Furniture and fixtures	10%
Office equipment	
- Mobile phones	50%
- Others	20%
Plant and machinery (wind farm)	10.34%

Pro-rata depreciation is provided from the date of purchase/ disposal on assets purchased or sold during the year. Assets individually costing Rs. 5,000 or less are fully depreciated in the year of purchase.

Certain Land, Building, Plant and Machineries and Electrical Installations are stated at revalued amount based on valuations done by an external expert in the year 1991-92. Additional depreciation due to revaluation is adjusted out of revaluation reserve.

#### e. Intangibles and amortization

Research costs are expensed as incurred. Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured.

Subsequent expenditure incurred on a recognized intangible asset is added to the cost of intangible asset when it is probable that the expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance; and the expenditure can be measured and attributed to the asset reliably.

Amortization is provided on a pro-rata basis on straight-line method over the estimated useful lives of the assets, not exceeding ten years as detailed below:

Application software	4 years
Prototype/ Product development	8-10 years

The carrying value of development costs is reviewed for impairment annually when the asset is not in use, and otherwise when events or changes in circumstances indicate that the carrying value may not be recoverable.

Goodwill arising on consolidation is not amortized. It is tested for impairment at each balance sheet date.

#### f. Inventories

Inventories are valued at lower of cost or net realizable value. Consumable stores and spares used for maintenance are debited to the profit and loss account upon issuance.

The cost determined on first-in-first-out (FIFO) basis, comprises costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The comparison of cost and net realizable value is made on an item-by-item basis.

Raw materials and other supplies held for use in production of inventories are not written down below cost except where material prices have declined, and it is estimated that the cost of finished products will exceed their net realizable value.

Provision for inventory obsolescence is provided as considered necessary.

#### g. Employee benefits

Gratuity liability is a defined benefit scheme and is accrued based on an actuarial valuation at the balance sheet date, carried out by an independent actuary. The Parent Company's gratuity scheme for Indian entities is administered by Life Insurance Corporation of India. Actuarial gain/losses are charged to the profit and loss account.

Compensated absence is a long term employee benefit and is accrued based on an actuarial valuation at the balance sheet date, carried out by an independent actuary.

Contributions to provident fund/Scottish equitable and standard life, which are defined contribution scheme, are provided at pre-determined rates to the appropriate authorities.

#### h. Revenue recognition

Revenue from sale of products is recognized when the risks and rewards of ownership are transferred to customers, which generally coincides with delivery to the customers. The amount recognized as sales is exclusive of excise duty, sales tax, trade and quantity discounts. Revenue from sale of products has been presented both gross and net of excise duty.

Service income is recognized when an unconditional right to receive such income is established.

Revenue from project execution services are recognized on rendering of services in accordance with the terms of the arrangement with customers using proportionate completion method.

Unbilled revenues included in other current assets represent cost and earnings in excess of billings as at the balance sheet date. Unearned revenues included in current liabilities represent billings in excess of earnings as at the balance sheet date.

Interest on deployment of funds is recognized using the time proportion method, based on the underlying interest rates.

#### i. Foreign currency transactions and balances

The reporting currency of the Parent Company is Indian Rupee. However, the local currencies of the non-integral subsidiaries are different from the reporting currency of the Parent Company.

Transactions in foreign currency are recognized at the rate of exchange prevailing on the date of the transaction.

All monetary assets and liabilities denominated in foreign currency are restated at the rates ruling at the year end and the exchange gains/losses arising there from are adjusted to the consolidated profit and loss account, except in case of exchange differences relating to long-term monetary items which are dealt with in the following manner:

- (i) In so far as they relate to the acquisition of a depreciable capital asset are added to/ deducted



from the cost of the asset and depreciated over the balance life of the asset

- (ii) In other cases, such exchange differences are accumulated in a "Foreign Currency Monetary Item Translation Difference Account" and amortized over the balance term of the long-term monetary items but not beyond 31 March 2011.

#### **Integral and non-integral operations**

The financial statements of the foreign non integral subsidiaries are translated into Indian Rupees as follows:-

- All assets and liabilities, both monetary and non-monetary, (excluding share capital, opening reserves and surplus) are translated using the year-end rates.
- Share capital and opening reserves and surplus are carried at historical cost.
- Profit and Loss items are translated at the respective monthly average rates.
- The resulting net exchange difference is credited or debited to the foreign currency translation reserve.
- Contingent liabilities are translated at the closing rate.

Exchange differences which have been deferred in foreign currency translation reserve are not recognised as income or expenses until the disposal of that entity.

#### **j. Derivatives**

In accordance with its Risk management policies and procedures, the Parent Company uses derivative instruments such as foreign currency forward contracts and currency options to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and highly probable forecasted transactions.

Effective 01 April 2008, the Parent Company has applied the principles of AS 30 'Financial Instruments: Recognition and Measurement', to the extent that the application of the principles did not conflict with existing accounting standards and other authoritative pronouncements of the Company Law Board and other regulatory requirements. The derivatives that qualify for hedge accounting and designated as cash flow hedges are initially measured at fair value and are re-measured at a subsequent reporting date and the changes in the fair value of the derivatives i.e. gain or loss is recognized directly in shareholders' funds under hedging reserve to the extent considered highly effective. Gain or loss upon fair value on derivative instruments that either do not qualify for hedge accounting or are not designated as cash flow hedges or designated as cash flow hedges to the extent considered ineffective, are recognized in the Profit and Loss Account.

To designate a forward or option contracts as an effective hedge, the management objectively evaluates

and evidences with appropriate supporting documents at the inception of each contract whether the contract is effective in achieving offsetting cash flows attributable to the hedged risk.

Hedge accounting is discontinued when the hedging instrument expires, sold, terminated, or exercised, or no longer qualifies for hedge accounting. The cumulative gain or loss on the hedging instrument recognized in shareholder's funds under hedging reserve is retained there until the forecasted transaction occurs subsequent to which the same is adjusted against the related transaction in profit and loss account. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in shareholder's fund is transferred to Profit and Loss Account in the same period.

#### **k. Warranty**

Warranty costs are estimated by the management on the basis of technical evaluation and past experience. The Parent Company accrues the estimated cost of warranties at the time when the revenue is recognised.

#### **l. Borrowing costs**

Borrowing costs directly attributable to acquisition or construction of those fixed assets, which necessarily take a substantial period of time to get ready for their intended use, are capitalized. Other borrowing costs are accounted as an expense.

#### **m. Investments**

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value, if any, is made to recognize a decline other than temporary in the value of the investments.

#### **n. Provisions and contingencies**

The Parent Company recognizes a provision when there is a present obligation as a result of past (or obligating) event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions for onerous contracts, i.e. contracts where the expected unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it, are recognized when it is probable that an outflow of resources embodying economic benefits will be required to settle a present

obligation as a result of an obligating event, based on a reliable estimate of such obligation.

**o. Impairment of assets**

The Parent Company periodically assesses whether there is any indication that an asset or a group of assets comprising a cash generating unit may be impaired. If any such indication exists, the Parent Company estimates the recoverable amount of the asset. For an asset or group of assets that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the consolidated profit and loss account. If at the consolidated balance sheet date, there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost. An impairment loss is reversed only to the extent that the carrying amount of asset does not exceed the net book value that would have been determined; if no impairment loss had been recognised.

**p. Leases**

Leases under which the Parent Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets acquired on or after 1 April 2001 are capitalised at fair value of the asset or present value of the minimum lease payments at the inception of the lease, whichever is lower.

For operating leases, lease payments (excluding cost for services, such as maintenance) are recognised as an expense in the statement of profit and loss on a straight line basis over the lease term. The lease term is the non-cancellable period for which the lessee has agreed to take on lease the asset together with any further periods for which the lessee has the option to continue the lease of the asset, with or without further payment, which option at the inception of the lease it is reasonably certain that the lessee will exercise.

**q. Income-tax**

Income-tax expense comprises current tax (i.e. amount of tax for the year determined in accordance with the income-tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period). The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax asset/

liability as at the balance sheet date resulting from timing differences between book profit and tax profit are not considered to the extent that such asset/liability is expected to get reversed in the future years within the tax holiday period. Deferred tax assets are recognized only to the extent that there is reasonable certainty that the assets can be realized in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognized only if there is virtual certainty of realization of such assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written up to reflect the amount that is reasonably/ virtually certain (as the case may be) to be realized.

The Parent Company offsets, on a year on year basis, the current tax assets and liabilities where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

**r. Fringe benefit tax**

Fringe benefit tax is determined at current applicable rates on expenses falling within the ambit of 'Fringe Benefit' as defined under the Income Tax Act, 1961. The same has been abolished with effect from April 1, 2009.

**s. Earnings per share**

The basic earnings/ (loss) per share is computed by dividing the net profit/ (loss) attributable to equity shareholders for the year by the weighted average number of equity shares outstanding during the year. The Parent Company did not have any potentially dilutive equity shares during the year.

**t. Government grants and subsidies**

Grants and subsidies from the Government are recognized when there is reasonable assurance that the grant/ subsidy will be received and all attaching conditions will be complied with.

The grant or subsidy relating to an asset is reduced from the cost of the asset. The grant or subsidy not specifically attached to a specific fixed asset is credited to Capital Reserve and is retained till the attached conditions are fulfilled.

**u. Cash flow statement**

Cash flows are reported using indirect method, whereby net profits before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, investing and financing activities of the Parent Company are segregated.

(Rs in '000)

	As at 31 March 2010	As at 31 March 2009
<b>2 Share capital</b>		
<b>Authorised:</b>		
20,000,000 (Previous year: 20,000,000) equity shares of Rs.10 each	200,000	200,000
500,000 (Previous year: 500,000) redeemable cumulative preference shares of Rs.100 each	50,000	50,000
	<u>250,000</u>	<u>250,000</u>
<b>Issued, subscribed and paid-up:</b>		
5,414,703 (Previous year: 5,414,703) equity shares of Rs.10 each fully paid up	54,147	54,147
	<u>54,147</u>	<u>54,147</u>
<b>3 Reserves and Surplus</b>		
Capital reserve	4,000	4,000
Capital redemption reserve	24,000	24,000
Reserve on Amalgamation	15,429	15,429
Securities premium account		
Balance at the beginning of the year	731,137	600
Add : Received during the year	-	739,296
(Less) : Utilisation during the year	-	(8,759)
	<u>731,137</u>	<u>731,137</u>
Revaluation reserve		
Balance at the beginning of the year	17,081	17,423
(Less) : Additional depreciation charge on revalued fixed assets	(342)	(342)
	<u>16,739</u>	<u>17,081</u>
Hedge reserve-debit balance (refer to note 12 of schedule 20)		
Balance at the beginning of the year	(63,544)	-
Additions/deductions during the year	51,480	(63,544)
	<u>(12,064)</u>	<u>(63,544)</u>
General reserve		
Balance at the beginning of the year	273,671	287,896
(Less): Adjustment on account of adoption of amendment to Accounting Standard 11	-	(19,095)
Add: Transferred from profit and loss account	10,818	4,870
	<u>284,489</u>	<u>273,671</u>
Foreign currency translation reserve - debit balance		
Balance at the beginning of the year	(104,740)	(2,636)
(Additions)/deductions during the year	(23,727)	(102,104)
Profit and loss account	217,241	170,425
	<u>1,152,504</u>	<u>1,067,459</u>

(Rs in '000)

	As at 31 March 2010	As at 31 March 2009
<b>4 Secured loans</b>		
From banks		
Rupee term loan *	676,476	649,659
Foreign currency term loan *	1,016,309	1,246,720
Rupee cash credit and working capital loan #	451,862	445,442
Foreign currency cash credit and working capital loan #	250,553	285,553
Vehicle loan^	7,163	6,785
From others		
Rupee term loan #	-	2,110
Hire purchase plant and machinery	2,736	11,785
Vehicle loan^	2,006	3,771
Interest accrued and due	-	3,039
	<u>2,407,105</u>	<u>2,654,864</u>

\* Secured, ranking pari passu among the lenders, by way of first charge on fixed assets and second charge on current assets

# Secured, ranking pari passu among the lenders, by way of first charge on current assets and second charge on fixed assets

^ Secured against vehicles purchased from such loans

#### 5 Unsecured loans

Public deposits [Repayable within one year Rs.14,442 (Previous year: Rs.11,111)]	29,521	17,176
Foreign currency buyer's credit [Repayable within one year Rs.45,253 (Previous year: Rs.120,053)]	45,253	120,053
Short term loans-others		
- Inter corporate deposits	50	50
Sales tax deferral [Repayable within one year Rs.3,690 (Previous year: Rs. Nil)]	44,408	44,408
Interest accrued and due	-	379
	<u>119,232</u>	<u>182,066</u>

## 6. FIXED ASSETS

(Rs in '000)

	Gross block				Accumulated depreciation				Net block		
	As at 1 April 2009	Translation adjustment	Additions*	Deletions/adjustments	As at 31 March 2010	As at 1 April 2009	Translation adjustment	Charge for the year	Deletions/adjustments	As at 31 March 2010	As at 31 March 2009
<b>Tangible assets</b>											
Land and development (note 1 and 2)	217,662	(1,044)	-	-	216,618	-	-	-	-	216,618	217,662
Buildings (note 1)	441,171	(2,341)	116,140	44	554,926	50,611	(164)	15,472	6	489,013	390,580
Plant and machinery (note 3)	2,262,584	(22,466)	154,218	-	2,394,336	851,726	(12,773)	153,578	-	1,401,805	1,410,858
Measuring instruments	21,111	-	593	3	21,701	10,326	-	747	3	10,631	10,785
Electrical installations (note 1)	69,451	-	5,958	-	75,409	14,438	-	3,273	-	57,898	55,013
Data processing equipments	85,590	(1,247)	3,998	65	88,276	55,246	(987)	11,219	12	22,810	30,344
Office equipments	24,236	(255)	3,518	22	27,477	15,661	(206)	2,384	12	9,650	8,575
Furniture and fixtures	35,998	(625)	2,275	-	37,648	13,901	(185)	3,090	-	20,842	22,097
Tools, dies and moulds	95,919	(1,817)	45,901	-	140,003	40,397	(1,400)	11,626	-	89,380	55,522
Vehicles	56,659	(209)	9,177	6,407	59,220	16,468	(151)	4,060	1,674	40,517	40,191
<b>Intangible assets</b>											
Application software	32,625	-	526	-	33,151	20,023	-	3,739	-	9,389	12,602
Prototype development	19,465	-	56,120	-	75,585	1,946	-	4,577	-	69,062	17,519
Non compete fee	73,180	(4,667)	-	-	68,513	7,322	(2,994)	16,224	-	47,961	65,858
<b>Total</b>	<b>3,435,651</b>	<b>(34,671)</b>	<b>398,424</b>	<b>6,541</b>	<b>3,792,863</b>	<b>1,098,065</b>	<b>(18,860)</b>	<b>229,989</b>	<b>1,707</b>	<b>2,485,376</b>	<b>2,337,586</b>
Previous year	3,084,333	(16,463)	426,595	58,814	3,435,651	905,468	(2,365)	204,428	9,466	1,098,065	2,337,586

Notes:

- Net block of land and development, buildings and electrical installations includes value added on revaluation Rs.16,838 (previous year: Rs. 17,180).
- Land and development includes leasehold land Rs.11,134 (previous year: Rs.11,134)
- Book value of plant and machinery is net of subsidy received from the Tamil Nadu Industrial Investment Corporation Limited Rs. 1,877 (previous year: Rs.1,877)
- Depreciation for the year is reflected as follows:

	<b>2010</b>
Depreciation as per Profit and Loss account	225,390
Transfer from Revaluation reserve	342
Depreciation considered under intangible assets (including CWIP thereof)	4,257
	<b>229,989</b>

\* Includes administrative expenses aggregating Rs.27,855 incurred during the current year to make the asset ready to use and has been accordingly capitalised.

\* Includes Rs.35,713 (previous year Rs.82,529) pertaining to loss on foreign currency loans capitalised as per Notification no.GSR 225(E) dated 31 March 2009 issued by Ministry of Corporate Affairs.

(Rs in '000)

	As at 31 March 2010	As at 31 March 2009
<b>7 Investments-in shares</b>		
<b>Long term-other than trade (at cost) - unquoted</b>		
921,530 (Previous year: 921,530) equity shares of Rs.10 each fully paid up of Murablack (India) Ltd.	9,215	9,215
	<u>9,215</u>	<u>9,215</u>
Less: Provision for dimunition in value of investments	9,215	9,215
	<u>-</u>	<u>-</u>
<b>8 Inventories</b>		
Raw materials and components *	298,171	232,652
Rose Plants	9,911	9,911
Stores and spares	48,609	48,406
Work-in-progress #	147,955	99,959
Finished goods	122,506	242,535
	<u>627,152</u>	<u>633,463</u>
Notes:		
Includes:-		
* Includes material in transit Rs.8,586 (Previous year: Rs.Nil) and lying with third parties Rs.41,752 (Previous year: Rs.28,408)		
# Includes lying with third parties Rs.7,289 (Previous year: Rs.5,095) and in transit Rs.Nil (Previous year: Rs.1,325)		
<b>9 Sundry debtors</b>		
<i>Unsecured</i>		
Debts outstanding for a period exceeding six months		
Considered good	115,268	109,174
Considered doubtful	28,123	19,673
Other debts		
Considered good	804,862	856,348
Considered doubtful	-	686
	<u>948,253</u>	<u>985,881</u>
Less: Provision for doubtful debts	28,123	20,359
	<u>920,130</u>	<u>965,522</u>
<b>10 Cash and bank balances</b>		
Cash on hand	477	685
Balance with banks:		
Current accounts	189,266	204,581
Fixed deposits#	12,742	25,948
Margin money accounts*	23,082	14,927
Unpaid dividend accounts	2,103	1,550
	<u>227,670</u>	<u>247,691</u>
* under lien against bank guarantees		
# held under section 3A of Companies (Acceptance of deposits) Rules,1975, under Companies Act,1956.		
<b>11 Other current assets</b>		
Unbilled revenues	37,857	28,935
	<u>37,857</u>	<u>28,935</u>

(Rs in '000)

	As at 31 March 2010	As at 31 March 2009
<b>12 Loans and advances</b>		
<i>(Unsecured, considered good except as otherwise stated)</i>		
Advances recoverable in cash or in kind or for value to be received	69,877	82,295
Balance with customs, excise and sales tax authorities	52,139	65,851
Loan to employees	2,149	1,930
Other deposits	32,273	25,336
Interest accrued	3,576	47
Prepaid expenses	41,797	25,143
Minimum alternative tax credit entitlement	24,072	12,145
Fringe benefit tax (net of provision)	2,558	2,122
	<u>228,441</u>	<u>214,869</u>
<i>(Unsecured, considered doubtful)</i>		
Advances recoverable in cash or in kind or for value to be received	953	953
Less: Provision for doubtful advances	953	953
	<u>228,441</u>	<u>214,869</u>
<b>13 Current liabilities</b>		
Acceptances	264,743	342,064
Sundry creditors	561,633	410,311
Advance from customers	8,051	5,082
Accrued salaries and benefits	27,192	18,468
Deposits received from dealers	3,625	3,475
Forward contract liability (refer to note 12 of schedule 20)	17,558	73,384
Interest accrued but not due	13,011	8,020
Unclaimed dividends	2,102	1,550
Other liabilities	26,622	36,740
	<u>924,537</u>	<u>899,094</u>
<b>14 Provisions</b>		
Wealth tax	214	282
Gratuity	1,452	4,309
Compensated absences	13,133	13,383
Warranty	5,596	3,508
Current taxation (net)	5,536	677
Interim dividend (including taxes thereon Rs.nil (Previous year: Rs.2,301))	-	17,218
Proposed final dividend (including tax thereon Rs.2,761 (Previous year: Rs.1,380))	19,005	8,122
	<u>44,936</u>	<u>47,499</u>
	<b>For the year ended 31 March 2010</b>	<b>For the year ended 31 March 2009</b>
<b>15 Other income</b>		
Interest on bank deposits (tax deducted at source Rs.59 Previous year: Rs.550)	3,490	8,883
Interest others	-	691
Lease rent	683	683
Sale of scrap (net of excise duty Rs.3,117 Previous year: Rs.6,839)	44,980	53,688
Profit on sale of fixed assets	-	38,352
Liabilities no longer required written back	996	627
Miscellaneous income	2,543	9,913
	<u>52,692</u>	<u>112,837</u>

	For the year ended 31 March 2010	For the year ended 31 March 2009
<b>16. Cost of materials consumed</b>		
Raw materials and components consumed	2,183,601	2,230,025
(Increase)/decrease in work in progress	(47,996)	39,458
Decrease/(increase) in finished goods	120,029	(148,280)
(Increase) in excise duty	(903)	(4,675)
	<u>2,254,731</u>	<u>2,116,528</u>
<b>17. Personnel expenses</b>		
Salaries, wages and bonus expenses	730,417	684,441
Contribution to provident and other funds	35,742	31,899
Staff welfare	69,232	78,142
	<u>835,391</u>	<u>794,482</u>
<b>18. Other operating expenses</b>		
Consumption of stores and spares	153,455	158,859
Power and fuel	88,439	145,095
Carriage outward	46,052	57,315
Packing expenses (net)	18,840	8,336
Rent	40,574	43,710
Rates and taxes	28,203	21,611
Insurance	16,176	21,970
Repairs and maintenance		
- Plant and machinery	64,187	41,837
- Buildings	6,868	10,644
- Others	45,506	37,431
Security charges	10,139	15,289
Advertisement and sales promotion	3,171	5,366
Cash discount	3,828	6,848
Travelling and conveyance	56,115	59,543
Communication	10,825	12,372
Printing and stationery	6,700	6,844
Legal and professional fees	37,891	80,581
Directors sitting fees	1,230	795
Exchange loss (net)	10,883	18,219
Amortisation of foreign currency monetary item translation difference account	36,463	53,173
Donations	372	29
Bad and doubtful debts/ advances written off	1,223	979
Provision for bad and doubtful debts/ advances	7,764	7,905
Loss on sale of fixed assets	1,272	-
Warranty	12,075	2,028
Impairment of goodwill arising on consolidation	-	32,385
Miscellaneous	20,256	18,181
	<u>728,507</u>	<u>867,345</u>
<b>19. Interest and finance charges</b>		
On term loans	161,864	124,140
On others	83,396	76,614
Bank charges	18,552	23,263
	<u>263,812</u>	<u>224,017</u>
Less : Interest capitalised as per Accounting Standard 16	14,587	10,527
	<u>249,225</u>	<u>213,490</u>



20. Notes to the consolidated financial statements

(Amount in Rs. '000)

1. Capital commitments

Particulars	As at 31 March 2010	As at 31 March 2009
Estimated amount of contracts to be executed on capital account (net of advances) and not provided for	104,627	65,286

2. Contingent liabilities

The details of contingent liabilities are as under:

Particulars	As at 31 March 2010	As at 31 March 2009
Export obligation	29,296	43,794
Income tax matter under dispute	-	1,519

3. Lease transactions

- The Company is obligated under cancelable operating leases for office, residential facilities and vehicles. Lease rental expense under operating leases during the year was Rs 40,574 (previous year Rs 43,710).
- The Company has entered into operating leases for machines. Lease rental income under operating lease during the period was Rs 683 (Previous year Rs 683). The gross carrying amount, accumulated depreciation and the depreciation charge for the year ended 31 March 2010 and 31 March 2009 for the machinery leased by the Company are as set below:

Particulars	As at 31 March 2010	As at 31 March 2009
Gross block	21,333	21,333
Accumulated depreciation	18,114	17,547
Depreciation for the year	567	683

4. Deferred taxation

Deferred tax liability included in the balance sheet comprises the following:

Particulars	As at 31 March 2010	As at 31 March 2009
<b>Deferred tax liability:</b>		
Excess of depreciation allowable under Income-tax Act, 1961 over depreciation provided in financial statements	(254,509)	(245,502)
<b>Deferred tax assets:</b>		
Provision for gratuity, compensated absences and bonus	3,877	4,732
Provision for doubtful debts and advances	7,788	5,576
Disallowances under section 40(a) / 43B of Income tax Act, 1961	3,222	16,582
<b>Deferred tax assets/liability (net)</b>	<b>(239,622)</b>	<b>(218,612)</b>

**5. Gratuity plan**

The following tables set out the status of the funded gratuity plan as required under revised AS 15 'Employee benefits'.

<b>Change in defined benefit obligation</b>	<b>As at 31 March 2010</b>	<b>As at 31 March 2009</b>
Opening defined benefit obligation	45,609	39,018
Current service cost	5,836	6,879
Interest cost	3,446	2,629
Benefits settled	(3,866)	(2,939)
Actuarial (losses)/Gain	(215)	22
<b>Closing defined benefit obligation</b>	<b>50,810</b>	<b>45,609</b>

<b>Change in plan assets</b>	<b>As at 31 March 2010</b>	<b>As at 31 March 2009</b>
Plan assets at the beginning of the year, at fair value	41,300	32,206
Expected return on plan assets (estimated)	3,446	2,788
Contributions	8,005	8,815
Benefits settled	(3,866)	(2,939)
Actuarial Gain/(losses)	473	430
<b>Plan assets at the end of the year, at fair value</b>	<b>49,358</b>	<b>41,300</b>

<b>Reconciliation of present value of the obligation and the fair value of the plan assets</b>	<b>As at 31 March 2010</b>	<b>As at 31 March 2009</b>
Fair value of plan assets at the end of the year	(49,358)	(41,300)
Present value of the defined benefit obligations at the end of the year	50,810	45,609
<b>Asset/(liability) recognised in the balance sheet</b>	<b>1,452</b>	<b>4,309</b>

<b>Gratuity cost for the period</b>	<b>As at 31 March 2010</b>	<b>As at 31 March 2009</b>
Current service cost	5,836	6,879
Interest on defined benefit obligation	3,446	2,628
Net actuarial (losses)/Gain recognised in year	(688)	(408)
Return on plan assets	(3,446)	(2,788)
<b>Total, included in "Employee benefit expense"</b>	<b>5,148</b>	<b>6,311</b>

<b>Assumptions at the valuation date</b>	<b>As at 31 March 2010</b>	<b>As at 31 March 2009</b>
Discount factor	8%	7%
Expected rate of return on plan assets	8%	7%
Expected rate of salary increase	5%	6%
Retirement age	58	58

**6. Earnings per share**

Calculation of basic and diluted shares used in computing earnings per share:

Particulars	For the year ended 31 March 2010	For the year ended 31 March 2009
Profit after tax (Rs in 000')	105,146	(52,283)
Number of weighted average shares considered for calculation of basic earning per share	5,414,703	5,198,517
Basic earnings per share of face value of Rs. 10 each	19.42	(10.06)

The Company has no potential dilutive equity shares.

**7. Set out below is the movement in provision balances in accordance with AS 29, 'Provisions, Contingent liabilities and Contingent Assets':**

**Provision for warranty:**

Particulars	For the year ended 31 March 2010	For the year ended 31 March 2009
Opening balance	3,508	4,225
Provision (net)	12,075	2,028
Utilized during the year	(9,987)	(2,745)
<b>Closing balance</b>	<b>5,596</b>	<b>3,508</b>

**8. Related party transactions:**

Description of relationship	Name of related Party	
Parties where control exists	Udayant Malhoutra (UM)	% of voting power - 54.61
Companies over which key management personnel or relatives of such personnel are able to exercise significant influence (other related entities)	i. Christine Hoden (India) Private Limited (CHIPL) ii. Greeneearth Biotechnologies Limited (GBL) iii. JKM Holding Private Limited (JHPL) iv. JKM Human Resources Private Limited (JHRPL) v. Primella Sanitary Products Private Limited (PSPPL) vi. Udayant Malhoutra and Co Private Limited (UMCPL) vii. Vita Private Limited (VPL) viii. Wavell Investments Private Limited (WIPL) ix. Pramilla Estates Private Limited (PEPL)	
Key Management Personnel (KMP) Executive Directors	a) Udayant Malhoutra, Chief Executive Officer and Managing Director (UM) b) V Sunder - President and Group Chief Financial Officer (VS) c) B Seshnath - Executive Director and Chief Marketing Officer (BS) d) N Rajagopal, Executive Director and Chief Operating Officer (NR) e) Ian Patterson - Group Technical Director (IP) f) Raymond Keith Lawton - Executive Director and Chief Operating Officer (RKL) g) James Tucker - Operations Director, DM 38 Limited, UK (JT) h) Clarie Tucker - Finance and Systems Director, DM38 Limited, U.K. (CT)	
Relatives of KMP	a) Pramilla Malhoutra (PM) b) Udita Malhoutra (UM) c) Barota Malhoutra (BM)	

The following is the summary of transactions for the year ended 31 March 2010 and balance outstanding as at 31 March 2010 with related parties:

(Rs in '000)

Related Party	2010			2009		
	Other Related Entities	Key Management Personnel	Relatives	Other Related Entities	Key Management Personnel	Relatives
<b>Other income</b>						
<i>Interest</i>						
- GBL	-	-	-	691	-	-
<b>Expenses</b>						
<i>Rent</i>						
- VPL	175	-	-	300	-	-
- JHPL	224	-	-	-	-	-
- NR	-	-	-	-	480	-
- PM	-	-	1,600	-	-	1,400
- UM	-	-	300	-	-	300
<i>Salaries and wages</i>						
- JHRPL	39,921	-	-	32,089	-	-
<i>Managerial remuneration</i>						
- UM	-	2,072	-	-	2,007	-
- NR	-	2,594	-	-	2,124	-
- VS	-	3,099	-	-	3,053	-
- BS	-	2,514	-	-	2,048	-
- RKL	-	6,001	-	-	6,331	-
- IP	-	5,310	-	-	5,673	-
- JT	-	8,736	-	-	4,808	-
- CT	-	8,141	-	-	4,808	-
<b>Dividend</b>						
<i>Interim dividend</i>						
- JHPL	4,417	-	-	2,008	-	-
- JOIPL	2,341	-	-	1,037	-	-
- UMCPPL	3,636	-	-	1,543	-	-
- UM	-	5,176	-	-	2,364	-
- BM	-	-	27	-	-	-
- Others	540	-	1	300	-	12
<i>Final dividend</i>						
- JHPL	1,205	-	-	1,205	-	-
- JOIPL	652	-	-	622	-	-
- UMCPPL	986	-	-	926	-	-
- UM	-	1,403	-	-	1,418	-
- BM	-	-	7	-	-	-
- Others	180	-	0.15	180	-	7
<b>Loans repaid to the Company during the year</b>						
- GBL	-	-	-	18,500	-	-
<b>Balances outstanding</b>						
<i>Payables</i>						
- JHRPL	423	-	-	3,525	-	-
- UMCPPL	-	-	-	2,469	-	-
- JHPL	-	-	-	3,213	-	-
- JOIPL	-	-	-	1,659	-	-
- UM	-	-	-	-	3,782	-
- Others	-	-	-	480	-	19

## 9. Segment information

### Information about Primary Business Segments:

The business segment has been considered as the primary segment. The Group is organized into five main business segments, namely:-

- ▶ Hydraulic and Precision Engineering ("HPE") - comprising Hydraulic Pumps, Hand Pumps, Lift Assemblies, Valves, power packs etc
- ▶ Aluminium Castings ("AC") - comprising castings for automotive components
- ▶ Automotive Components ("AUC") - comprising Case Front, Water Pumps, Intake Manifolds, Exhaust Manifold etc
- ▶ Aerospace ("ASP") - comprising Airframe Structures, Precision Aerospace components etc.
- ▶ Wind farm ("WF") - generation of power through wind energy.
- ▶ Research farm ("RF")

Segment revenue, assets and liabilities have been accounted for on the basis of their relationship to the operating activities of the segment and amounts allocated on a reasonable basis.

### Information relating to business segments for the year ended 31 March 2010.

Particulars	HPE	AC	AUC	ASP	WF	RF	Unallocated	Total
<b>A. Primary Segment reporting</b>								
(i) <b>Revenue</b>								
External - sales and services	1,935,784	349,627	1,900,449	782,134	52,524	-	-	5,020,518
Less: excise duty	(77,687)	(109)	(150,678)	(1,060)	-	-	-	(229,534)
Inter-segment sales and services	(13,554)	(336,272)	-	-	(42,261)	-	-	(392,087)
Other income	18,913	10,572	12,069	7,648	-	9,150	34,576	92,928
Inter-Segment Income	-	-	-	-	-	(9,150)	(31,086)	(40,236)
<b>Total Revenue</b>	<b>1,863,456</b>	<b>23,818</b>	<b>1,761,840</b>	<b>788,722</b>	<b>10,263</b>	<b>-</b>	<b>3,490</b>	<b>4,451,589</b>
(ii) <b>Results</b>								
Segment result - EBIDA-profit/(loss)	149,884	44,596	193,275	189,018	41,152	(3,437)	18,472	632,960
(Less): depreciation	(51,339)	(24,448)	(88,175)	(45,760)	(14,909)	(759)	-	(225,390)
Segment result - profit/(loss)	98,545	20,148	105,100	143,258	26,243	(4,196)	18,472	407,570
(Less): Interest expense	-	-	-	-	-	-	(249,225)	(249,225)
<b>Profit/(loss) before taxation</b>	<b>98,545</b>	<b>20,148</b>	<b>105,100</b>	<b>143,258</b>	<b>26,243</b>	<b>(4,196)</b>	<b>(230,753)</b>	<b>158,345</b>
(Less): Provision for taxation	-	-	-	-	-	-	(53,199)	(53,199)
<b>Net profit after tax</b>	<b>98,545</b>	<b>20,148</b>	<b>105,100</b>	<b>143,258</b>	<b>26,243</b>	<b>(4,196)</b>	<b>(283,952)</b>	<b>105,146</b>
(iii) <b>Other Information</b>								
Segment assets	1,298,098	318,033	1,415,432	1,294,492	314,205	31,071	270,753	4,942,084
Segment liabilities	303,811	99,103	483,536	136,201	759	1,926	2,710,096	3,735,432
Capital expenditure	53,185	27,895	27,340	72,588	-	12,277	-	193,285
Depreciation	51,339	24,448	88,175	45,760	14,909	759	-	225,390
Other non-cash expenses	(1,992)	1,124	8,451	57	-	2,287	-	9,927

### Information relating to business segments for the year ended 31 March 2009.

Particulars	HPE	AC	AUC	ASP	WF	RF	Unallocated	Total
<b>A. Primary Segment reporting</b>								
(i) <b>Revenue</b>								
External - Sales and Services	1,942,560	409,463	2,142,545	377,196	579	-	-	4,872,343
Less: Excise duty	(110,570)	(441)	(265,502)	(1,747)	-	-	-	(378,260)
Inter-Segment Sales and Services	(3,954)	(406,162)	-	-	(579)	-	-	(410,695)
Other Income	18,286	17,150	17,447	41,853	9,141	4,274	30,296	138,447
Inter-Segment Income	-	-	-	-	-	(4,200)	(21,410)	(25,610)
<b>Total Revenue</b>	<b>1,846,322</b>	<b>20,010</b>	<b>1,894,490</b>	<b>417,302</b>	<b>9,141</b>	<b>74</b>	<b>8,886</b>	<b>4,196,225</b>
(ii) <b>Results</b>								
Segment result - EBIDA-Profit/(Loss)	139,897	47,644	175,930	84,369	5,170	(12,182)	(22,958)	417,870
(Less): Depreciation	(52,136)	(24,601)	(85,601)	(29,079)	(8,695)	(740)	-	(200,852)
Segment result - Profit/(Loss)	87,761	23,043	90,329	55,290	(3,525)	(12,922)	(22,958)	217,018

Particulars	HPE	AC	AUC	ASP	WF	RF	Unallocated	Total
(Less): Interest expense	-	-	-	-	-	-	(213,490)	(213,490)
<b>Profit/(Loss) before Taxation</b>	<b>87,761</b>	<b>23,043</b>	<b>90,329</b>	<b>55,290</b>	<b>(3,525)</b>	<b>(12,922)</b>	<b>(236,448)</b>	<b>3,528</b>
(Less): Provision for taxation							(55,811)	(55,811)
Net profit after tax	87,761	23,043	90,329	55,290	(3,525)	(12,922)	(292,259)	(52,283)
<b>(iii) Other Information</b>								
Segment assets	1,296,290	357,438	1,540,138	1,259,078	319,094	26,825	324,879	5,123,742
Segment liabilities	232,678	70,388	446,522	129,283	824	998	3,121,442	4,002,135
Capital expenditure	84,597	42,200	190,561	671,195	320,813	957	-	1,310,323
Depreciation	52,136	24,601	85,601	29,079	8,695	740	-	200,852
Other non-Cash expenses	60	(20)	4,221	(41,404)	-	2,570	-	(34,573)

## B. Secondary Segment Reporting

Information relating to geographical segment for the year ended 31 March 2010.

Particulars	31 March 2010			31 March 2009		
	Asia	Europe	Total	Asia	Europe	Total
Revenue	2,651,200	1,800,389	4,451,589	2,786,577	1,409,648	4,196,225
Carrying amount of segment assets	3,870,186	1,071,898	4,942,084	4,351,485	772,257	5,123,742
Capital expenditure	169,658	23,627	193,285	865,054	445,269	1,310,323

## 10. Disclosure pursuant to Accounting Standard 7 (revised), Construction contracts

(Amount in Rs '000)

Particulars	For the year ended 31 March 2010	For the year ended 31 March 2009
Cost incurred and recognized profits net of recognized losses	<b>70,126</b>	70,006
Unbilled revenue	<b>37,857</b>	28,935
Customer advances	<b>2,623</b>	2,623
Retention amount due from customers	-	-

11. The Company has outstanding forward contracts aggregating to USD 3.81 million (previous year USD 5.57 million) as of 31 March 2010.

## 12. Cash flow hedge

The Company has hedged a part of its future foreign currency receivables to mitigate its foreign exchange fluctuation risks. The same has been designated as a cash flow hedge with effect from 01 April 2008 applying the hedging criteria. The mark to market gain on this contract at the date of designation of the hedge aggregating Rs.5,494 (after discounting) has been credited to the profit and loss account. The movement in the mark to market subsequent to the designation as a cash flow hedge aggregates Rs. 12,064. The cash flow hedge is expected to occur in the next one year, when the effect in the profit and loss account would be accounted for.

The details as at Balance Sheet date are as follows:

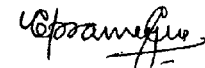
(Amount in Rs '000)

Particulars	As at 31 March 2010	As at 31 March 2009
Outstanding contract value in foreign currency (USD)	<b>3,000</b>	6,100
Equivalent Indian Rupees (INR)	<b>135,420</b>	309,392
Mark to Market value	<b>17,558</b>	73,384

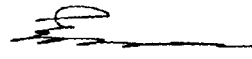
13. These financial statements have been prepared on a going concern basis considering support from its bankers in the future at existing level, although there has been breach of few covenants of some loans for which, the management has initiated the process with bank for relaxation.
14. The current year numbers are not comparable with the previous year numbers as the Company acquired a subsidiary, DM 38 Limited in UK and wind farm business in India in the previous year.
15. Previous year's figures have been re-grouped/ re-classified, wherever necessary, to conform to the current year presentation.
16. Previous year audit was carried out by a firm other than B S R & Associates.

**For Dynamic Technologies Limited**

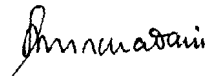
for and on behalf of the Board of Directors



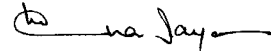
**Dr. K APRAMEYAN**  
Director



**S GOVINDARAJAN**  
Director



**GOVIND MIRCHANDANI**  
Director



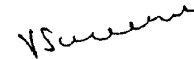
**MALAVIKA JAYARAM**  
Director



**N RAJAGOPAL**  
Executive Director and CTO



**B SESHNATH**  
Executive Director and CMO



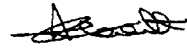
**V SUNDER**  
President and Group CFO



**UDAYANT MALHOUTRA**  
CEO and Managing Director



**N RAM MOHAN**  
Financial Controller



**G HARITHA**  
GM- Compliance & Company Secretary

Place : Bangalore  
Date : 31 July 2010

Pursuant to the exemption by the Ministry of Corporate affairs, Government of India, the Company is presenting summary financial information about individual subsidiaries as at March 31, 2010. The detailed financial statements, directors' report and auditors' report of the individual subsidiaries are available for inspection at the registered office of the Company. Upon written request from a shareholder we will arrange to deliver copies of the financial statement, directors' report and auditors' report for the individual subsidiaries.

### INFOMRATION RELATING TO SUBSIDIARIES AS AT MARCH 31, 2010

(Rs. 000)										
Name of the Subsidiary	Share Capital	Reserves & Surplus	Total Assets	Total Liabilities [excl. (2) & (3)]	% of Holding	Sales & Other Income	Profit before taxation	Provision for taxation	Profit after taxation	Proposed Dividend (incl. dividend tax)
1	2	3	4	5	6	7	8	9	10	11
<b>Foreign Subsidiaries (Reporting currency reference mentioned against each Subsidiary)</b>										
Dynamatic Limited UK (a)	152,704.13	(138,714.05)	451,897.32	437,907.24	100%	811,425.64	(45,147.87)	(11,585.33)	(33,562.53)	-
DM 38 Limited, UK (a)	291,834.55	18,445.50	738,329.87	428,049.82	100%	52,929.06	38,798.55	(3,941.28)	42,739.83	19,201.96
Yew Tree Investments Ltd (a)	6.79	91,032.29	119,873.48	28,834.41	100%	60,998.45	59,351.05	1,798.13	57,552.92	52,929.06
Oldland Aerospace Limited (a)	0.14	287,094.89	401,444.69	114,349.67	100%	623,618.90	101,561.14	32,910.10	68,651.04	52,929.06
JKM Global Pte Limited, Singapore (b)	469,170.12	(11,483.38)	647,280.08	189,593.34	100%	42,008.10	29,143.25	-	29,143.25	-
<b>Indian Subsidiaries</b>										
JKM Research Farm Limited	36,000.00	(9,926.94)	42,044.87	15,971.82	100%	9,150.00	4,953.49	2,774.88	2,178.61	-

Details of reporting currency and the rate used for converting.

Reporting Currency Reference	For Conversion	
	Currency	Average Rate (in Rs.)
a	GBP	76.19825
b	SGD	33.44786
		Closing Rate (in Rs)
		67.8685
		32.1979



## DIRECTORS' REPORT TO SHAREHOLDERS

Your Directors have pleasure in presenting the Thirty Fifth Annual Report together with the Audited Statement of Accounts for the year ended 31<sup>st</sup> March 2010.

### FINANCIAL RESULTS

The Financial Results of the Company for the year ended 31<sup>st</sup> March, 2010, were as follows:

(Rs. in Lacs)

Particulars	Year Ended 31.03.2010	Year Ended 31.03.2009
Gross Profit (Before Interest, Depreciation & Taxation) (EBITDA)	<b>5,563.22</b>	4,830.79
Interest & Finance Charges	<b>2,142.65</b>	1,770.43
Depreciation	<b>1,856.63</b>	1,721.20
Net Profit Before Taxation and Forex Impact	<b>1,563.94</b>	1,339.16
Forex Impact	<b>169.76</b>	218.04
Net Profit Before Taxation and after Forex Impact	<b>1,394.18</b>	1,121.12
Provision for Current Year Taxation	<b>218.17</b>	56.45
MAT Credit entitlement	<b>(119.28)</b>	(121.45)
Provision for Deferred Tax	<b>211.26</b>	646.88
Provision for Fringe Benefit Tax	-	49.25
Provision for Wealth Tax	<b>2.29</b>	2.97
Net Profit after Tax	<b>1,081.74</b>	487.02
Balance brought forward from previous year	<b>2,826.38</b>	2,641.46
Amount available for appropriation	<b>3,908.12</b>	3,128.48
<b>Appropriations</b>		
Dividend on Equity Shares – Interim	<b>243.66</b>	135.37
Proposed Final Dividend on Equity Shares	<b>162.44</b>	81.22
Tax on Dividend	<b>69.01</b>	36.81
Transfer to General Reserve	<b>108.18</b>	48.70
Balance carried to Balance Sheet	<b>3,324.83</b>	2,826.38

Notes: Previous year figures have been recast wherever necessary.

### DIVIDEND

During the year, your Directors, based on the performance of the Company, declared an Interim Dividend of 45% and paid on 5,414,703 Equity Shares absorbing Rs.24,366,164/-. Your Directors recommend a Final Dividend of 30% on 5,414,703 Equity Shares of Rs.10/- each, absorbing Rs.16,244,109/- for the year under report. Hence the Total Dividend payout for the year under review is Rs.40,610,273/- (exclusive of tax).

### TRANSFER TO RESERVES

Your Directors propose to transfer Rs.108.18 lacs to General Reserve, during the year under report. An amount of Rs.498.45 lacs is proposed to be retained in the profit and loss account.

The Company has hedged a part of its future foreign currency receivables to mitigate its foreign exchange fluctuation risks. The same has been designated as a cash flow hedge with effect from April 1, 2008 applying the hedging criteria. The mark to market loss on this contract at the date of designation of the hedge amounting to Rs.54.94 lacs (after discounting) has been credited to the profit and loss account. The movement in the Market to Market (MTM) subsequent to the designation as a cash flow hedge amounting to Rs.120.64 lacs has been accounted under Hedge Reserve Account.

Pursuant to notification no. G.S.R. 225(E) dated March 31, 2009 issued by the Ministry of Corporate Affairs, the Company had opted (on 31<sup>st</sup> March 2009) to adjust the exchange differences relating to long term monetary items with retrospective effect from April 1, 2007 vis-à-vis recognition of aforesaid exchange differences as income / expense in the profit and loss account in the earlier years.

Accordingly, foreign exchange loss amounting to Rs.825.29 lacs and foreign exchange gain amounting to Rs.357.17 lacs for the year ended March 31, 2009 and March 31, 2010 respectively, has been adjusted to the cost of fixed assets.

### COMPANY PERFORMANCE

Your Directors are pleased to inform that your Company has shown a significant growth in profitability compared to the growth in sales of your Company.

Total income on a consolidated basis was Rs.44,515.89 lacs, as against Rs.41,962.25 lacs in 2008-09.

EBITDA (before forex impact) on a consolidated basis was Rs.6,725.16 lacs as against Rs.5,278.87 lacs in 2008-09.

Net Profit Before Tax (after forex impact) on a consolidated basis was Rs.1,583.45 lacs, as against Rs.35.28 lacs in 2008-09.

Net Profit After Tax (after forex impact) on a consolidated basis was Rs.1,051.46 lacs, as against a loss of Rs.522.83 lacs in 2008-09.

The Hydraulics and Precision Engineering business remained at the same level of Rs.19,357.84 lacs compared to Rs.19,425.60 lacs in 2009, however, Profit (Before Interest & Tax) grew from Rs.877.61 lacs to Rs.985.45 lacs. This includes the turnover from Dynamatic Limited, UK, a subsidiary of your Company, to the extent of Rs.8,114.26 lacs and loss (Before Interest & Tax) of Rs.502.59 lacs.

The Aerospace business grew from Rs.3,771.96 lacs to Rs.7,821.34 lacs and Profit (Before Interest & Tax) grew from Rs.552.90 lacs to Rs.1,432.58 lacs. This includes the turnover from DM 38 Limited, UK, a subsidiary of your Company, to the extent of Rs.6,236.19 lacs and Profit (Before Interest & Tax) of Rs.1,007.63 lacs.

The Aluminium Castings business declined from Rs.4,094.63 lacs to Rs.3,496.27 lacs and Profit (Before Interest & Tax) declined from Rs.230.43 lacs to Rs.201.48 lacs.

The Automotive business declined from Rs.21,425.45 lacs to Rs.19,004.49 lacs while Profit (Before Interest & Tax) grew from Rs.903.29 lacs to Rs.1051.00 lacs.

Exports from India have grown at 31% with sales of Rs.3,413.92 lacs against the previous year's Rs.2,615.71 lacs.

### Capital expenditure

During the year, your Company incurred capital expenditure of Rs.1161.40 lacs for physical infrastructure, Rs.2256.39 lacs for technological infrastructure, Rs.566.46 lacs for procurement of intangible assets.

Significant investments have been made in Building Infrastructure, State-of-the-art machinery, Design Software, Data Security, Information Systems and Design and Development activities for the future benefits of your Company.

## RESEARCH & DEVELOPMENT

Your Company is a repository of diverse technologies and has transformed itself into a knowledge-based organisation through sustained Research & Development efforts. All technology development efforts are guided at the Board level committee through the Technology Development Committee.

Your Company's focus on Research & Development has resulted in strong development initiatives; enabling the Company to foray into providing new services, launching new products and enhancing product value to our customers.

**JKM Science Center** at Dynamatic Park Peenya, Bangalore, spread over an area of 40,000 sq. ft., houses design laboratories viz. Dynamatic® Research & Development Center and Powermetric® Design, a sophisticated Material Science Laboratory, a prototype manufacturing unit and a training center.

### Your Company's Design efforts are focused on

- *Design, Validation and Prototyping of new products.*
- *Improvement of existing designs.*
- *Continuous improvement of existing processes.*
- *Ongoing testing of products and materials.*

Your Company has emerged as one of India's leading Research & Development organisations, with numerous inventions and patents to its credit.

Dynamatic® employs over 50 Scientists and 500 engineers and technicians with expertise in Mechanical Engineering, Advanced Computer Aided Engineering, Computer Aided Manufacture, Materials & Metallurgical Engineering, Fluid Dynamics, Defence & Aerospace Research. This state-of-the-art facility brings together Design Engineering, Development, Prototyping, Metallurgical and Manufacturing Infrastructure enabling your Company to comprehensively address the needs of its global customers.

The **Dynamatic® Hydraulics Research Laboratory** in Swindon, England, has advanced design knowledge focused on the Mobile Hydraulics Sector, excellent engineering capabilities and ownership of intellectual property.

This facility operates a comprehensive product testing and validation laboratory. During the year, this facility has

completed testing and validation of new products for various customers like Cummins, John Deere, CNH Davenry, JCB, Terex, etc. Your Company will be very shortly launching these new products globally.

Your Company's wholly owned subsidiary, JKM Research Farm Limited, operates a unique facility for testing and analysing complete aggregates and systems for mobile equipments.

## QUALITY MANAGEMENT SYSTEM

### Dynamatic® Hydraulics

During the year, your Company has successfully completed the 2<sup>nd</sup> Surveillance audit to ISO:9001 specifications for Quality Management System and also to ISO:14001 specifications for Environmental Management System. The Quality Management System has been upgraded to version ISO 9001:2008.

The Dynamatic® Quality Management System (DMS) comprises of quality requirements of global customers such as John Deere, Cummins, CNH, Mahindra & Mahindra etc. DMS utilises some of the best tools such as 5S, Business process re-engineering, Overall equipment effectiveness, Root cause analysis, Six Sigma, Statistical Process Control, Total Productive Maintenance, Visual Control, Learning-by-doing, EPP (Employee Participation Program) etc.

Lean Management concepts together with 5S tools are being used on the shop floor to increase the OEE (Overall Equipment Effectiveness) of the operations. This is achieved by reducing rejections, set ups, cycle time and through effective material management. Employee Participation Programs have resulted in the participation of employees in innovative activities and their contributions have resulted in continual improvements in work and work process. Quality tools viz. 5S, six sigma etc have resulted in enhanced product quality, innovation and cost effectiveness.

Your Company's supply chain program aims at up-grading vendors to enable them to meet demanding requirements of Quality, Cost & Delivery. Vendor training & audits are being conducted at regular intervals.

Your Company has released its Supplier Quality Management (SQM) Manual at the Dynamatic® Vendor Meet which was held on 13<sup>th</sup> March 2010 in Bangalore. The manual, which forms an important part of the Dynamatic® Management System, captures the key tenets of the Dynamatic®'s Supplier Quality System, which every Dynamatic® supplier is expected to meet or exceed while undertaking work for your Company. The SQM booklet links the Dynamatic® suppliers to its customers and channelizes the flow of information in the supply chain.

**JKM Automotive™** and **Dynametal®** facilities are certified to the highest quality and safety standards specified by the automotive industry including TS:16949, OHSAS:18000 and ISO:14000, as well as, to Ford Q1 quality standards. Your Company's Automotive division has been audited and approved by various global automotive majors including Hyundai, TATA Motors, FIAT, Ford, Renault, Daimler, John Deere and Cummins.

JKM Automotive™ supplies function-critical aluminium compressor housings to Honeywell Turbo Technologies. The castings are made at Dynametal®, machined and tested at

JKM Automotive™ and supplied to Honeywell's plants in Pune, Italy and France. Honeywell has developed its own operating system named Honeywell Operating System (HOS) and has implemented it in all its manufacturing plants, across all the Honeywell group operations. As part of extending this to the Suppliers' manufacturing facility, JKM Automotive™ is the only supplier outside Europe chosen by Honeywell to implement HOS. A dedicated team from Honeywell's HOS group is guiding JKM Automotive™ and Dynametal® in understanding, implementing and sustaining HOS. The whole operating system is implemented in 5 phases and each of them signifies the maturity of operating system. JKM Automotive™ has already successfully implemented the first two phases and is working on implementing phase 3 of HOS.

**Dynamatic Aerospace®** has the largest infrastructure in the Indian private sector for manufacture of exacting Air Frame Structures and Precision Aerospace Components. The division is well supported by its AS 9100 quality certification & NADCAP approvals for Heat Treatment and Non-Destructive-Test Facilities. This is the first time such capabilities have been built in the Indian private sector. This division is also certified by industry majors like Airbus & Boeing for supply of aircraft components and assemblies.

During the year, **Powermetric® Design** has successfully obtained the Design Approval Certification from the Center for Military Airworthiness & Certification (CEMILAC). CEMILAC was established in 1995 to consolidate air certification work, and, is one of DRDO's significant agencies vested with the responsibility of airworthiness and certification of Military Aircraft and Airborne Stores. The CEMILAC certification which is mandatory for defense & aerospace design, will enable Powermetric® to undertake design and development in the areas of Static & Dynamic Analysis, Geometric Modeling and Manufacturing Drawings, Tooling Design, Sheet Metal Processing and NC programming of Air-Frame components.

**Oldland Aerospace Limited's** quality approvals and standards includes Airbus UK, G.E. Aerospace, GKN Aerospace Services (IOW & Yeovil), Westland Helicopters Limited, BS EN ISO 9001:2000 and AS 9100.

Oldland Aerospace Limited has been accredited with Environmental Management System (EMS) certification ISO:14000.

Oldland Aerospace has received an award from West of England Aerospace Forum (WEAF) for its Lean Manufacturing and Continuous Improvements initiatives.

**Dynamatic Limited, UK** is accredited to ISO 9001:2008 standards and has recently completed the BSI audit successfully. Dynamatic Limited's lean initiatives continue to be the focus of all employees using 6S techniques.

## DEPOSITS

As on 31<sup>st</sup> March, 2010, your Company has no unclaimed Deposits by the Deposit holders of the Company.

## SUBSIDIARIES

**Brief particulars of Subsidiaries are given below:**

**JKM Research Farm Limited, India, (JKMRF)** is a Wholly Owned Subsidiary of your Company. It continues to be the Research & Development facilitator to the Company.

**JKM Global Pte. Limited, Singapore, (JKMGB)** is a Wholly Owned Subsidiary of your Company. It continues as an investment hub for overseas businesses.

**Dynamatic Limited, Swindon, UK, (DLUK)** is a Wholly Owned Subsidiary of your Company held through JKM Global Pte. Limited, Singapore. DLUK located in Swindon, England produces high performance engineered hydraulic products. The plant has over 50 years of experience in gear pump design and manufacture, and caters to Agriculture, construction and Highway vehicle manufacturers. Products include combined variable and fixed displacement pump packages, temperature controlled fan drive systems and fixed displacement pumps in Aluminium and Cast iron with a range of additional integrated valve options.

**DM 38 Limited, Bristol, UK, (DM 38)** is a Wholly Owned Subsidiary of your Company held through JKM Global Pte. Limited, Singapore. It is the Company through which Yew Tree Investments Limited was acquired.

**Yew Tree Investments Limited, Bristol, UK, (YTIL)** is a Wholly Owned Subsidiary of your Company held through DM 38 Limited, UK. YTIL has been the holding company of Oldland Aerospace Limited, and, owns the Land & Building in which Oldland Aerospace Limited operates.

**Oldland Aerospace Limited, (OAL), Bristol, UK, (Formerly Oldland CNC Limited)** is a Wholly Owned Subsidiary of your Company held through Yew Tree Investments Limited, UK. OAL is a leader in Aeronautical Precision Engineering, currently working on components for most of the Airbus family of aircraft including A300/310, A320, A330/340, A380 and A400M. Central to the Oldland approach is their commitment to a Continual Improvement Program based on Lean & Agile engineering principles.

## REPORT ON SUBSIDIARY COMPANIES

The Company has obtained exemption from the Government of India, Ministry of Corporate affairs from attaching the Balance Sheet, Profit and Loss Account and other documents of the Subsidiary companies to this Report pursuant to Section 212 of the Companies Act, 1956. However, a statement showing the relevant details of the Subsidiaries is enclosed and is a part of the Annual Report. The Company will make available the Annual Accounts of the Subsidiary companies and related detailed information to any member of the Company who may be interested in obtaining the same. The Annual Accounts of the Subsidiary companies will also be kept open for inspection at the Registered office of the Company. The consolidated financial statements presented by the Company include financial results of its subsidiary companies.

## DIRECTORS

Under Section 256 of the Companies Act, 1956, Mr. Vijai Kapur, Mr. Raymond Keith Lawton and Mr. S. Govindarajan, retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Details of Directors are presented in Corporate Governance report forming part of the Annual Report.

## DIRECTORS' RESPONSIBILITY STATEMENT

The Directors' Responsibility Statement as required under Section 217(2AA) of The Companies (Amendment) Act, 2000, in respect of the financial statements is annexed to this report.

## CONSOLIDATED FINANCIAL STATEMENTS

Your Directors have pleasure in attaching the Consolidated Financial Statements prepared by the Company in accordance with the relevant Accounting Standards issued by the Chartered Accountants of India, which form part of the Annual Report and Accounts.

## AUDITORS AND AUDITORS' REPORT

M/s. B S R & Associates, Chartered Accountants, Statutory Auditors of the Company retire at the ensuing Annual General Meeting and offer themselves for re-appointment.

They have confirmed to the Company that their re-appointment, if made, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956 and that they are not disqualified for re-appointment within the meaning of Section 226 of the said Act.

The Notes on Accounts referred to in the Auditors' Report are self-explanatory and do not call for any further comments.

## SECRETARIAL AUDIT REPORT

As a measure of good corporate governance practise, your Company underwent a Secretarial Audit for the financial year ended 31<sup>st</sup> March, 2010. An independent Practising Company Secretary, conducted this audit, who is a past member of Central Council of the Institute of Company Secretaries of India.

## PARTICULARS OF EMPLOYMENT

Your Company believes that a well-trained, motivated and satisfied employee base is a key to your Company's competitive advantage. Your Company has extremely cordial relations with all its employees and your Company strives on mutual trust created among the employees and the management. The skill sets of its employees gives your Company the flexibility to adapt to the demanding needs of global customers.

Information required under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended is forming part of this Report.

## CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGOING

The information relating to conservation of energy, technology absorption, foreign exchange earnings and outgo required to be disclosed under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in **ANNEXURE – I** forming part of this report.

## TRANSFER OF AMOUNTS TO INVESTOR EDUCATION AND PROTECTION FUND

Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, dividends which remained unclaimed for a period of 7 years have been transferred by the Company to the Investor Education and Protection Fund.

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Management's Discussion and Analysis Report for the year under review, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges in India is presented in a separate section forming part of the Annual Report.

## CORPORATE GOVERNANCE

Your Company is committed to maintaining the best standards of Corporate Governance and adheres to the Corporate Governance requirements set out by SEBI. The Company has also implemented several best corporate governance practices prevalent globally.

A separate section on Corporate Governance and a Certificate from the Practising Company Secretary, regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with Stock Exchange/s together with the Management Discussion and Analysis of the financial position of the Company, form part of this Report.

## PROMOTERS

**The names of the Promoters are disclosed for the purpose of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997:**

Persons constituting Promoters coming within the definition of 'Promoter' for the purpose of Regulations 3(1)(e)(iii)(b) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, include the following:

Sl. No.	Name of the Entity
1.	Mrs. Barota Malhoutra
2.	Christine Hoden (India) Pvt. Ltd.
3.	JKM Holdings Pvt. Ltd.
4.	JKM Offshore India Pvt. Ltd.
5.	Primella Sanitary Products (Pvt). Ltd.
6.	Mr. Udayant Malhoutra
7.	Udayant Malhoutra and Company Pvt. Ltd.
8.	Vita Pvt. Ltd.
9.	Wavell Investments Pvt. Ltd.

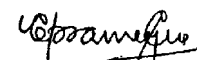
## DISCLOSURES REQUIRED UNDER LISTING AGREEMENT

Disclosures required under various clauses of listing agreement are made elsewhere in this Annual Report.

## ACKNOWLEDGMENT

Your Directors would like to express their grateful appreciation for the co-operation received from the Financial Institutions, Banks, Government Authorities, Customers, Vendors, Shareholders and Investors during the year under review. Your Directors also wish to place on record their deep sense of appreciation for the committed services of Executives, Managers Staff and Workers of the Company and look forward their continued support in the future.

By order of the Board of Directors



**Dr. K. APRAMEYAN**  
Chairman of the Meeting

**PLACE : BANGALORE**  
**DATE : 22<sup>ND</sup> JULY, 2010**

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## ANNEXURE TO DIRECTORS' REPORT

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### ANNEXURE – I

Statement under Section 217(1)(e) read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, and forming part of the Directors' Report for the year ended 31<sup>st</sup> March, 2010.

#### Disclosure of particulars with respect to conservation of energy, absorption, adoption and innovation

##### A. CONSERVATION OF ENERGY

All our facilities in India and abroad are built with the environment in mind and the processes are designed for efficiency, energy conservation and to ensure that no waste is transmitted into our environment. The industrial complexes are highly energy efficient and completely non-polluting. The canary yellow buildings reflect sunlight, keeping the office spaces cool and lowering energy consumption. The air quality at all plants is continuously monitored for suspended particulate matter, and is kept well within safe limits. Further, the continual treatment and recycling of effluents minimizes environment pollution.

##### Generating Green Energy through Dynamatic® Wind Farm

In 2008, Dynamatic® acquired a 12 MW Wind farm in Coimbatore, India, capable of generating approximately 18Mn. Units of power annually. The Wind farm which comprises of 48 windmills on 440 acres of free-hold land, enables Dynamatic® to generate clean energy for captive consumption. This not only results in a significant reduction of the Company's carbon foot print but also helps in conserving energy costs.

Details of Green Energy Steps can be viewed at Corporate Sustainability Report of the Company.

##### (a) Energy Conservation measures and impact at Dynamatic® Chennai

- i. The Wind farm of 12 MW (250 KW x 48 machines) capacity generated 17.52 Million KWH units of green energy last year, which resulted in 80% of the annual grid power being saved and enabled the Automotive Production Facility & the Foundry in Chennai to considerably reduce their carbon foot-print.
  - a. The power cost savings, as a result of the green energy generated by the Wind farm, corresponds to Rs.346.36 lacs during the year.
  - b. Total KWH units saved / annum is approximately 17 Million KWH units.
- ii. Usage of energy efficient lighting all through the Dynamatic® industrial complex in Chennai  
Key changes include:
  - a) Conversion of hi-bay metal halide lamps (250 Watts) used on the production shop into energy saving 80W lamps of higher lumen.

- b) Conversion of office lighting from 40W Tubes to energy saving Lamps of higher lumen.
  - c) Conversion of factory perimeter lighting from 250 watts Sodium Vapor Lamp to energy saving lamps of higher lumen.
- iii. Linkage of man-cooler used for providing ambient air to the shop floor to PLC for automatic shut down during specified idle time, thereby avoiding dependence on the human element for switch on and off.
  - iv. Ducting which is used to maintain ambient temperature is switched on / off automatically based on inputs from humidity and temperature, thereby saving energy by operating only when it is required.
  - v. Computer Numerical Controlled (CNC) machines are programmed to go to emergency state by automatically switching off power when the machine is idle.
  - vi. Installation of heat traps for holding furnaces in the Foundry. The automation of the air operated lid mechanism prevents loss of heat and maintains holding temperature, thereby eliminating the need for further heating.
  - vii. The installation of Auto Demand Controller prevents the exceeding of sanctioned demand by triggering an alarm or tripping the electrical circuit.
  - viii. The use of transparent roofing material on the production shop increases day-light on the production shop, thereby reducing the need for electrical lighting during the day.

##### (b) Various additional investments / proposals being implemented for reduction of consumption of energy

- Interfacing of variable speed drive to reduce the power consumption compressor, which will allow the compressor to control its output depending on the load and thus, saving energy.
- Auto on/off of office area lighting/air conditioners, through the installation of man-movement sensor.
- Conversion of perimeter lighting from electric lamps to solar power lighting.
- Shut down of assembly press power during idle time.
- Periodic air audits to establish an air leak free facility.
- Periodic energy audits so as to evaluate conservation processes, and implement corrective actions that will contain wastage.
- Auto Power Factor Controller installation in the LT side of Captive power, which will enable the power factor to be in control thereby reducing monthly demand charges.

**(c) Impact of measures at (a) and (b) given above, for reduction of energy consumption and consequent impact on the cost of production of goods**

- The Dynamatic® Wind farm in Coimbatore, Tamil Nadu, has generated about 17 Million KWH units last year, which has enabled the Automotive Production Facility & the Foundry in Chennai to be CARBON FREE for most part of the year. It has resulted in 80% of the annual grid power being saved.
- The power cost savings, as a result of the green energy generated by the Wind farm, corresponds to Rs.346.36 lacs during the year.
- Total KWH units saved / annum is approximately 17 Million KWH units.
- Reduction in energy cost to sales is 0.5%.

**INNOVATIVE PROJECTS IMPLEMENTED AT DYNAMATIC® CHENNAI TO CONSERVE ENERGY**

**Heat Traps For Holding Furnaces - By Auto Lid arrangements**

The Holding Furnace, which generally holds the molten metal before pouring, requires constant heating to maintain the molten metal within the required temperature limits.

By implementing this mechanism, the heat from the molten metal is not wasted and the temperature is maintained constantly without any additional power.

**(d) Total energy consumption and energy consumption per unit of production as per Form 'A' is attached hereto as ANNEXURE IV.**

**B. TECHNOLOGY ABSORPTION**

Research & Development plays a vital role in developing and adopting new technologies to enhance our operational efficiencies. Dynamatic® owns world's best Hydraulic Technologies viz. Dowty and Plessey Technologies, from England. The Company collaborated with Dowty technology during 1973 which was later owned and indigenized. Plessey technology became part of Dynamatic® on acquisition of Dynamatic Limited, UK which was in existence for more than four decades.

**(e) Efforts made in technology absorption – as per Form B given below:**

**FORM B**

**Research & Development (R & D)**

Research & Development, Technology Development and Innovation continues to be an integral part of Dynamatic's operations for achieving growth, business profitability, sustainability. Dynamatic® Science lab created by consolidating various research and technology functions helps to create enhanced value for by leveraging skills and competencies and creating new opportunities in the business. Research & Development at Dynamatic® is driven by the Technology Development Committee, a board level committee.

**Technology Development Committee** of the Company provides direction to the Company's Research and Development strategy and on key issues pertaining to Research & Development technology. The Committee regularly reviews and updates the skills and competencies required, the structure and the process needed to ensure that the Research & Development initiatives today result in products necessary for the sustained and long term growth of the Company.

**1. Specific areas in which Research & Development (R & D) is carried out by the Company**

**Highlights**

- Development of new design for robust hydraulic gear pumps for Earthmoving Sectors.
- Development of Fixed Clearance Gear Pump catering to specific requirement of Low Pressure High Flow capability.
- Development of various types of Hydraulic Gear Motors.
- Development of new Machine Tools, Machine Tools Structures including CNC machines upgrade.
- Factory Automation.
- New projects for Defence sector.
- Mechatronics application in Tractor Hydraulics. Development of total Tractor Hydraulic aggregates including Hitch Control Valve.
- Value engineering for existing products and processes.
- Analysis coupled with experimentation towards product design optimization, product performance enhancement and application understanding and problem solving.
- Introduction of Product Life Cycle Management Tools viz. Windchill.
- Windchill is extensively practised across various functional units of the Company at plant level imparting fast and accurate engineering data transfer & management capability.
- Design and Development of customized consumer products for NSS, USA.
- Design and Development of Combi Pump for Nano Car at Automotive Unit.
- Design and Development of Electric Vehicle charging point for charging of Electric cars across the world.
- Design and Development of Mobile Surveillance Vehicle (MSV) for Defence applications.
- Design and Development of KV Lube Pump for Cummins, Daventry.
- Validation of Zenith and Thor Project Pumps.
- Twin Disk pump for various applications.
- Design and Development of Internal gear pump for lubrication of Tractor Transmission for John Deere.

- Dynamic® Hydraulics has also placed its foot print in the community of International Research, by presenting research papers in the field of Fluid Power & ANSYS related topics.
- Dynamic® continues to participate in various collaborative projects in India and overseas.

## 2. Benefits derived as a result of the above R & D

All the following efforts have led to innovative product and process developments leading to new market creation and higher value addition.

### Few of the key mile-stones achieved

- Design and development of new products with existing customers and new customer base both at domestic and export market.
- Capitalizing on new business opportunities viz. Machine Tool development program.
- Participating in India's Defence indigenisation and technological up-gradation program.
- New process improvements through value engineering towards cost reduction and import substitution.
- Improvement of existing designs and ongoing testing of products and materials.

## 3. Future plan of action

The Company plans to increase its efforts in developing new and cost-effective applications in the above sectors, through continuous innovation.

## 4. Expenditure on R & D

	Rs. in lacs
(a) Capital	1.53
(b) Recurring	507.34
(c) <b>Total</b>	<b>508.87</b>

Total expenditure as a percentage of turnover (Net): 1.16%

## 5. Technology absorption, adoption and innovation

### Efforts, in brief, made towards technology absorption, adoption and innovation

The Dynamic® Knowledge Center has enabled your Company to gain expertise in developing high precision engineering products. Consequently, your Company has been recognized by the Department of Scientific and Industrial Research (DSIR), Government of India, as a 'Recognized In-house R & D Unit'. This is a prestigious honor conferred on the Company.

By combining the technical competence of its facility in Bristol, with the cost & manufacturing advantages offered by the facilities in India and Swindon, respectively, Dynamic®, now, possesses the capabilities and expertise to undertake the complete manufacture of the products, and, therefore, will be able to deliver greater value and advantages to the customer.

JKM Research Farm, the first of its kind in the Indian private sector, facilitates testing and validation of the products developed by the Company's customers. This is a unique facility, which aids in relationship-building with the Company's customers.

### The above facilities have enabled the Company to develop the following:

- Heavy Duty New Generation Cast Iron Gear Pumps with very high pressure operational capability built with patented interlocking concepts.
- Electro-Hydraulic Aggregates for Defence application.
- New optimized Die-Casting Machine Tools for Foundry application.
- Total Tractor Hydraulic Aggregates for MNCs including Gear Pump, Control Valve and Rock Shaft Assembly.
- New types of Gear Pumps and Motors built with special configuration for various applications, for both domestic and export markets.
- Development of Lubricating Oil Pump suitable for Heavy Duty Engine for export market.
- ANSYS and CFD analysis towards product design optimization and product performance & application analysis.
- Rapid proto-typing.

## 6. In case of imported technology (imported during last 5 years – reckoned from the beginning of the financial year), following information may be furnished:

- Technology imported: NIL
- Year of import: NA
- Has technology been fully absorbed? NA
- If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action.

**Not applicable**

## C. FOREIGN EXCHANGE EARNINGS AND OUTGOING

During the year the Company has exports (FOB Value) worth Rs.3,413.92 lacs

### (f). Foreign Exchange Earned and used

	Rs. in lacs
a. Total Foreign Exchange Earned	3,683.75
b. Total savings in foreign exchange through products manufactured by the Company and deemed exports	-
c. <b>Sub Total (a + b)</b>	<b>3,683.75</b>
d. Total Foreign Exchange used	
● Import of Raw materials, components, stores and spares	4,740.06
● Foreign Travel	81.27
● Subscription fees	-
● Technical fees	-
● Interest and legal expenses	593.36
● Capital Expenditure	180.90
● Others	2.63
<b>Total Foreign Exchange Used</b>	<b>5,598.22</b>

ANNEXURE – II

ANNEXURE TO DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2010

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATED TO SUBSIDIARY COMPANIES

	Particulars	JKM Research Farm Limited (a subsidiary of Dynamatic Technologies Limited, India)	JKM Global Pte. Limited (a subsidiary of Dynamatic Technologies Limited, India)	Dynamatic Limited (a subsidiary of JKM Global Pte. Limited, Singapore)	DM 38 Limited (a subsidiary of JKM Global Pte. Limited, Singapore)	Yew Tree Investments Limited (a subsidiary of DM 38 Limited, UK)	Oldland Aerospace Limited (a subsidiary of Yew Tree Investments Limited, UK)
1.	Financial Year ended on	31.03.2010	31.03.2010	31.03.2010	31.03.2010	31.03.2010	31.03.2010
2.	Shares of the Subsidiary held by the Company on the above date:						
a)	Number and Face Value	3,600,000 fully paid Equity Shares of Rs. 10/- each	14,571,451 fully paid Equity Shares of Singapore \$ 1/- each	2,250,000 fully paid Equity Shares of GBP 1/- each	4,300,000 fully paid Equity Shares of GBP 1/- each	100 fully paid Equity Shares of GBP 1/- each	2 fully paid Equity Shares of GBP 1/- each
b)	Extent of holding	100% Rs. In lacs	100% Rs. In lacs	100% Rs. In lacs	100% Rs. In lacs	100% Rs. In lacs	100% Rs. In lacs
3.	The net aggregate of Profit / (Loss) of the Subsidiaries so far as they concern the members of the Company:						
a)	Dealt within the account of the Company for the year ended 31 <sup>st</sup> March, 2010.	-	-	-	-	-	-
b)	Not dealt within the account of the Company for the year ended 31 <sup>st</sup> March, 2010.	21.79	291.43	(335.63)	427.40	575.53	686.51
4.	The net aggregate of Profit / (Loss) of the Subsidiaries for previous years, since it became subsidiary so far as they concern members of the Company:						
a)	Dealt within the account of the Company for the year ended 31 <sup>st</sup> March, 2009.	-	-	-	-	-	-
b)	Not dealt within the account of the Company for the year ended 31 <sup>st</sup> March, 2009.	(100.01)	(361.82)	(1294.87)	(28.95)	572.89	382.10



### ANNEXURE - III

#### The Directors' Responsibility Statement as required under Section 217(2AA) of the Companies (Amendment) Act, 2000.

The Board of Directors hereby confirms that:

- In the preparation of accounts for the financial year ended 31<sup>st</sup> March, 2010, the applicable Accounting Standards have been followed with proper explanation relating to material departures if any.
- We have selected such accounting policies and applied them consistently and made judgments and estimates that were 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 profit and loss account of that Company for the year under review.
- We have taken proper and sufficient care for the maintenance of adequate records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- We have prepared the accounts for the financial year ended 31<sup>st</sup> March, 2010 on a 'going concern' basis.

### ANNEXURE - IV

Form 'A'

#### Disclosure of particulars with respect to conservation of energy

Sl No.	Particulars	Hydraulics		Aerospace		Automotive	
		2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
<b>1.</b>	<b>ELECTRICITY</b>						
	Purchased units - lacs	2,492,665	2,895,571	1,266,265	729,595	6,127,386	6,023,818
	Total cost (Rs.)	11,142,212	11,727,062	5,698,192	2,954,859	27,573,237	26,907,814
	Rate / unit	4.47	4.05	4.47	4.05	4.50	4.46
<b>2.</b>	<b>GENERATION THROUGH CAPATIVE POWER FACILITIES</b>						
	Through Diesel Generators						
	Units	124,929	128,712	41,643	42,904	820,140	1,304,856
	KWH per unit of fuel	3.50	3.50	3.50	3.50	4.00	4.00
	Fuel cost (Rs.)	10.85	10	10.85	10	8.75	9.50
<b>3.</b>	<b>THROUGH WIND FARM UNITS</b>	NA		NA	NA	17,378,900	NA
<b>4.</b>	<b>PURCHASED FUEL CONSUMED</b>						
	Furnace oil qty - lit	4,830	1,890	NA	NA	NA	NA
	Total cost (Rs.)	410,550	184,275	NA	NA	NA	NA
	Average rate / lit (Rs.)	85	97.5	NA	NA	NA	NA
<b>5.</b>	<b>DIESEL OIL</b>	NA	NA	NA	NA	NA	NA
<b>6.</b>	<b>OTHERS</b>						
	Gas - LPG	LPG					
	Qty - KG	13,175	9,775	NA	NA	NA	NA
	Total cost (Rs.)	590,381	499,140	NA	NA	NA	NA
	Average rate per KG	44.81	51.06	NA	NA	NA	NA
<b>7.</b>	<b>CONSUMPTION PER UNIT PRODUCTION</b>						
	Units / pump / Auto parts	6.29	7.44	NA	NA	0.82	NA
	FURNACE GAS	13.00 Gms/gear	15.00 Gms/gear				

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**CERTIFICATION BY CEO & MANAGING DIRECTOR  
AND PRESIDENT & GROUP CFO OF THE COMPANY**

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We, Udayant Malhoutra, CEO & Managing Director and V. Sunder, President & Group CFO, of Dynamatic Technologies Limited, to the best of our knowledge and belief, certify that:

- a) We have reviewed the Balance Sheet and Profit and Loss Account (Dynamatic®), and all its Schedules and Notes on Accounts, as well as the Cash Flow statements and the Director's Report;

Based on our knowledge and information, these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

To the best of our knowledge and belief, the financial statements and other information included in this report, present a true and fair view of the Company's affairs and are in compliance with existing accounting standards as issued by the Institute of Chartered Accountants of India, and /or applicable laws and regulations;

- b) To the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct.
- c) We are responsible for establishing and maintaining internal controls for financial reporting of the Company regularly evaluating the effectiveness of internal control systems of the Company pertaining to financial reporting and disclosure to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any.
- d) The Company's respective functional heads and we have disclosed, all relevant information wherever applicable, to the Company's Auditors and the Board of Directors of the Company:
- We have eliminated all significant deficiencies in the design or operation of internal controls, which could adversely effect the Company's ability to record, process, summarize and report financial data and have evaluated the effectiveness of internal control systems of the Company in consultation with the statutory and internal auditors of the Company.
  - We have indicated to the Auditors and Audit Committee changes in internal control over financial reporting during the year, changes in accounting policies during the year and the same have been disclosed in notes to financial statements;

We further confirm that the Company has framed a specific Code of Conduct for the members of the Board of Directors and senior management personnel of the Company pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges.

All the members of the Board and Senior management personnel of the Company have affirmed due observance of the said Code in so far as it is applicable to them and there is no non-compliance thereof during the year ended 31<sup>st</sup> March, 2010.

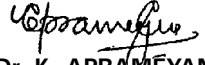
PLACE : BANGALORE  
DATED : 22<sup>ND</sup> JULY, 2010

  
**UDAYANT MALHOUTRA**  
C E O & Managing Director

  
**V. SUNDER**  
President & Group CFO

By order of the Board of Directors

PLACE : BANGALORE  
DATE : 22<sup>ND</sup> JULY, 2010

  
**Dr. K. APRAMEYAN**  
Chairman of the Meeting

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### SAFE HARBOUR STATEMENT

*Investors are cautioned that this discussion contains statements that involve risks and uncertainties. When used in this discussion, 'anticipate', 'believe', 'estimate', 'intend', 'will' and 'expect' and other similar expressions as they relate to the Company or its business are intended to identify such forward looking statements. The Company undertakes no obligations to publicly update or revise any forward looking statements, whether as a result of new information, future events, or otherwise. Actual results, performances or achievements could differ materially from those expressed or implied in such statements. Therefore as a matter of caution, undue reliance on forward looking statements should not be made. The following discussion and analysis should be read in conjunction with the Company's financial statements included herein and notes thereto.*

### A. ECONOMY

The overall global economy started picking from the last quarter of 2009. The improvements in global macroeconomic condition are reflected in the turnaround in exports and return of capital flows. Global financial markets exhibited significant stabilization during the year despite the pressures from financial crisis.

The Indian economy exhibited a momentum in recovery. GDP growth for 2009-10 was 7.2 per cent, up from 6.7 per cent recorded in 2008-09.

Against this backdrop, your Company's performance has been satisfactory. Your Company has outperformed in the Hydraulics and Aerospace segments compared to the previous year's performance.

The broad array of challenges which are existing and potential to the National Security in the fast changing geo-strategic security environment mandate a periodical re-appraisal of our security procedures to cope with them. The Government, keeping this in view, instituted a comprehensive review of the National Security System in its entirety for the first time in the history of independent India.

As you know, your Company designs and builds highly engineered products for Automotive, Aeronautic, Hydraulic and Security applications and enjoys a leadership position as the partner of choice to the Ministry of Defence and other leading defence agencies in India.

2009-10 is the inflection point for the transformation of business into the next level of growth. During the downturn your Company acquired two operating units at Swindon and Bristol in 2007 and 2008 respectively. These acquisitions have provided your Company with state-of-the-art technologies, one of the finest center of excellence for 5 axis machining for aeronautical application. It has enabled the rapid scale-up with an

efficient cost structure between Europe and India. The Company has synergised high capital intensive units in Europe with low cost labor arbitrage available in countries like India.

Your Company's acquisition of Wind farm at Coimbatore of 12 MW capacity which generated around 17 Million KWH units (INR 4.8 Million / Annum) of green energy during the year, resulted in 80% of the annual grid power being saved and enabled the Automotive production facility and the Foundry in Chennai to considerably reduce their carbon foot-print.

### OVERVIEW, STRUCTURE & DEVELOPMENT

#### Hydraulics Industry

Agriculture has been the mainstay of India's economy with 60 percent of the population deriving their sustenance from it. In the recent past, this sector has recorded a growth of about 4 percent per annum with substantial increase in plan allocations and capital formation in the sector with concessional interest rates to farmers, debt relief for farmers, support prices for key crops and accelerated irrigation benefit programs declared by the Government of India in its recent budget.

Dynomatic® Hydraulics designs, develops, manufactures and markets various Hydraulic pumps and related products for the Indian and overseas tractor markets. It is the largest manufacturer of Hydraulic pumps, sustained its market leadership as one of the world's largest Hydraulic Gear Pumps makers for the last 35 years and is focused on being number one.

#### Automotive industry

The Automobile industry in India is the seventh largest in the world with an annual production of over 2.6 million units in 2009. In 2009, India emerged as Asia's fourth largest exporter of automobiles, behind Japan, South Korea and Thailand. By 2050, India is expected to top the world in car volumes with approximately 611 million vehicles on the nation's roads.

India has emerged as one of the world's largest manufacturers of small cars. India's strong engineering base and expertise in the manufacturing of low-cost, fuel-efficient cars has resulted in the expansion of manufacturing facilities of several automobile companies like Hyundai Motors, Nissan, Toyota, Volkswagen and Suzuki.

In 2008, Hyundai Motors alone exported 240,000 cars made in India. Nissan Motors plans to export 250,000 vehicles manufactured in its India plant by 2011. Similarly, General Motors announced its plans

to export about 50,000 cars manufactured in India by 2011.

In September 2009, Ford Motors announced its plans to set up a plant in India with an annual capacity of 250,000 cars for US\$500 million. The cars will be manufactured both for the Indian market and for export as a part of Ford's plan to make India the hub for its global production business.

In recent years, India has emerged as a leading center for the manufacture of small cars. Hyundai Motor India is the largest exporter from the country, shipping more than 250,000 cars annually. Nissan will also export small cars from its new Indian assembly line. Tata Motors exports its passenger vehicles to the Asian and African markets. Mahindra & Mahindra is preparing to introduce its pickup trucks and small SUV models in the U.S. market. Bajaj Auto is designing a low-cost car for the Nissan-Renault alliance, which will market the product worldwide. While the possibilities are impressive, there are challenges that could thwart the future growth of the Indian automobile industry. Since the demand for automobiles in recent years is directly linked to overall economic expansion and rising personal incomes, the industry growth will slow if the economy weakens.

Dynamatic's Automotive division, JKM Automotive™, Chennai, incorporates state-of-the-art technologies to produce high quality automotive components for Hyundai Motor India Limited, Ford Motor Company, TATA Motors, John Deere, Fiat India, Daimler India, Renault Nissan, Cummins & Honeywell on a single source basis.

Strategically located in one of the India's automotive hubs, Chennai, JKM Automotive™ has an advantage of a 20 kms radius proximity to International global vehicle manufacturers like Hyundai Motor India, Ford India, Renault Nissan India, Daimler India. This proximity enables JKM Automotive™ to cater with high quality products to these global customers. These customers have installed capacities upto 1.5 Million cars which will strengthen JKM Automotive™ position in the Indian Auto component industry. JKM Automotive™ is also working very closely with other global OE/Tier 1 suppliers like Volkswagen, GM, Faurecia etc.

## **Aerospace & Defence Industry**

### **Defence Industry**

#### **P8I**

Boeing bagged a \$2.1 billion order from India for eight of its P-8I Long Range Maritime Patrol Aircraft. Derived from Boeing's commercial 737 airframe, it is similar to the P-8 A Poseidon that Boeing is developing.

The P-8I is a true multi-mission maritime patrol aircraft (MPA) that features greater flexibility and a broader range of capabilities than MPAs currently in service.

The P-8I can operate effectively over land or water while performing anti-submarine warfare missions; search and rescue; maritime interdiction; and long-range intelligence, surveillance, target acquisition and reconnaissance.

The P-8Is will provide India with speed, reliability, persistence and room for growth to satisfy the Country's requirements now and well in the future.

#### **MMRCA**

The Indian Airforce is estimated to supply 126 Medium Multi Role Combat Aircraft (MMRCA) a cost of Rs. 42,000 crores approximately. An RFP has been floated and six aircraft manufacturers have bid for the order, the Saab Gripen, Eurofighter Typhoon, Dassault Rafale, Mikoyan MiG-35 and the American Lockheed Martin F-16IN and Boeing F/A-18IN (a version of the Super Hornet). Flight trials have been completed and the Airforce is currently in the process of evaluating the aircraft on technical parameters.

#### **HAL – Sukhoi 30 MKI**

The Sukhoi-30 MKI is without doubt one of the finest multi-role aircraft in the world today. The melting pot of a robust Russian airframe combined with state-of-the-art western avionics and locally developed computers has given the Indian Air Force a quantum leap in offensive capability unrivalled in Asia. Government plans to more than double the number of Russian-made Sukhoi 30 MKI fighter aircraft in Indian Air Force fleet, to 230, by 2015.

#### **Commercial Industry**

In the strongest evidence yet of strengthening recovery in the commercial aviation sector, the two largest makers of aircraft in the world announced more than \$24 billion worth of new jet orders at the Farnborough Air Show, 2010, the bulk of which came from lessors eager to help airlines bolster capacity as global air traffic revived.

The single-aisle market is the fastest-growing sector of the world aircraft fleet. Boeing predicted that the vast majority of new jet sales during the next 20 years - around 69 percent - would be of single-aisle aircraft like the Boeing 737 and the Airbus A320, which normally seat around 150 passengers. Demand from emerging markets in Asia and low-cost carriers in Europe and North America are expected to drive those future sales.

Rapidly expanding Indian carriers, including a crop of new discount airlines, have ordered close to \$40 billion worth of big jets over the past two years.

Airbus has bagged 295 orders from Indian customers and while Boeing has secured 138 orders. The value of Boeing's order book, close to \$20 billion at list prices, is nearer to Airbus' roughly \$22 billion in Indian orders.

Dynamatic Aerospace®, a division of Dynamatic®, is a pioneer and a recognized leader in the Indian Private Sector for the development of Complex Aero-Structures and manufacture of Aircraft Parts & Accessories.

Dynamatic Aerospace® has successfully executed important projects for defence agencies of national importance such as DRDO, HAL, etc. Products include the wing and rear fuselage of the LAKSHYA, India's first Pilotless Target Aircraft, and ailerons & flaps for the HJT-36 Intermediate Jet Trainer. This is the first time such capabilities have been developed in the Indian Private Sector.

The unit is actively involved in HAL's HJT-36 project, which is the Intermediate Jet Trainer program of HAL. Key projects include the fabrication and assembly of the control surface (Flaps & Ailerons) and development of Wing Assembly Jigs for IJT.

The largest program on the Indian Defence is the manufacture and assembly of major airframe structures for the Sukhoi 30 MKI ("Su-30") fighter-bomber. There are 6 different control surfaces, Vertical Fin, Ventral Fin, Horizontal Stabilizer, Slats, Canard and Airbrake that go on to the aircraft.

To meet the production demand the Jigs have been duplicated and all the assemblies is being relocated to the new Dynamatic® facility in Nasik where the complete Sukhoi Aircraft is assembled by HAL.

Dynamatic Technologies has signed a contract with Boeing for the manufacture of cabinets to house critical power and mission equipment for the P-8I program.

Dynamatic® and Boeing are working towards having a First Article ready for inspection by end of 2010.

On the commercial aircraft business, Dynamatic Aerospace® has achieved Global Single Source status for the supply of Flap Track Beam assembly for Airbus Single Aisle Aircraft family. The FAI for the assemblies were completed in May 2009 and in 12 months the Aerospace division has been able to achieve the complete ramp up of production of over 30 sets of aircraft per month. Dynamatic® is working closely with Spirit AeroSystems, the world's largest aerostructure manufacturer as an industrial partner in this project.

Dynamatic Aerospace® is vertically integrated to manufacture CNC components, Sheet Metal Components, Soft Tooling, Hard Tooling, Jig Manufacturing and Comprehensive Engineering capabilities. Dynamatic Aerospace® is AS9100 quality approved, NADCAP approved for Heat Treatment and Non Destructive Testing and Airbus/Boeing approved for manufacture of Aero Structures.

The acquisition of Oldland Aerospace™ (Formerly Oldland CNC), a high end precision engineering Company in Bristol, UK, has provided Dynamatic® with a unique state-of-the-art Aeronautical manufacturing facility

which is a Center of Excellence for 5 axis machining capabilities and a certified supplier to Airbus UK, Boeing, GKN Aerospace, Magellan Aerospace, GE Aviation Systems, Lockheed Martin and Agusta Westland. The induction of Oldland Aerospace™ into the Dynamatic® group has conferred the business with the strategic locational advantage required for the forging of strong direct relationships with leading Aerospace Companies in Europe and America.

## B. OPPORTUNITIES AND THREATS

Your Company believes that it is well positioned to sustain its existing leadership position in each business segment, across key markets, as well as to exploit significant growth opportunities that exist in each of its businesses.

Your Company produces highly engineered products for various applications in the Automotive Sector, Aerospace & Defence Sector, Agricultural Equipment and Construction Equipment Industries. Dynamatic® has state-of-the-art manufacturing facilities, located in Bangalore and Chennai in India, and in Swindon & Bristol, in UK, which offers it a geographical advantage in managing its customer relationships. Dynamatic's presence in India and U.K. also grants its business processes the flexibility to combine the strengths of each location, so as to deliver cost and long-term global manufacturing advantages to its customers.

Dynamatic® has launched its 'Yellow Brick Road' strategy, which uniquely positions it to achieve greater economic relevance. The Yellow Brick Road Strategy is implemented by achieving synergies in competence & skills, cost of efficiency and the maximizing of capacities, without departing from the Company's philosophy of building a green enterprise. This will enable us to respond swiftly to customer needs, business synergy, cost competitiveness, risk mitigation, and, the development of a stable supplier base.

With over three decades of manufacturing experience, vertically integrated manufacturing facilities in two continents and global deliveries into all six continents, your Company is equipped to deliver from concept and design stage to manufacture of products and delivery of services in each of the business segments.

Your Company operates in the following business segments-

- Precision Engineering
- Hydraulics
- Automotive
- Aerospace
- Powermetric® Design
- Metallurgy
- Dynamatic Homeland Security™
- Non-Conventional Energy

**Dynamatic® Hydraulics, India and UK**

Rs. in lacs

		31.03.2010	31.03.2009
<b>Financial Highlights</b>	Segment Sales	<b>19,357.84</b>	19,425.60
	Profit Before Interest & Tax	<b>985.45</b>	877.61
	Capital Employed	<b>9,942.85</b>	10,636.12
<b>Business Highlights</b>	<ul style="list-style-type: none"> <li>• <b>GLOBAL SCALE:</b> One of the World's largest manufacturers of Hydraulic Gear Pumps.</li> <li>• <b>GLOBAL PRESENCE:</b> Production facilities in two continents, India &amp; Europe. Sales in 6 continents.</li> <li>• <b>DOMINANT PLAYER IN INDIAN MARKET:</b> Single Source Supplier to 75% of India's Tractor OEMs and Construction Equipment Industry, approximately 35% of India's automobiles.</li> <li>• <b>INTELLECTUAL PROPERTY OWNERSHIP:</b> Own the design of every part made. Applies cutting edge technologies and highly sophisticated machinery for product manufacturing.</li> <li>• <b>COMPREHENSIVE RANGE:</b> Manufactures a wide range of sophisticated Hydraulic Valves and custom tailored hydraulic solutions extending from simple Hydraulic Pumping units to sophisticated Marine Power Packs, complex Aircraft Ground Support Systems to Turnkey Industrial Installations.</li> <li>• <b>COMPREHENSIVE DISTRIBUTION BASE:</b> Posses a Global Delivery Chain, a vastly broadened product offering. An incomparable distribution network of over 50 distributors and 500 stockists have given the Company's broadest possible coverage of the Indian Hydraulics Market, catering to over 80% of mobile hydraulic gear pump applications.</li> <li>• <b>DESIGN &amp; DEVELOPMENT:</b> Dynamatic® has world-class design laboratories as well as enhanced technologies to support its growth plans in a sustainable manner. Partners with major Global Tractor OEMs. Among the World's finest Engineering Laboratories.</li> <li>• <b>GLOBAL REACH:</b> Strong Design and Development partnerships with major tractor OEMs. Its customers / suppliers include Mahindra &amp; Mahindra, Eicher Tractors, Punjab Tractors, Same Deutz-Fahr, Escorts Limited, L&amp;T, John Deere, New Holland India, BEML, Godrej &amp; Boyce, HMT, BHEL, Telco.</li> <li>• <b>EXPORTS:</b> are made to over 30 countries and are used in original equipments in USA, UK, Canada and South Korea.</li> <li>• Supplier to the Infrastructure sector with its cast iron body pumps for clients like JCB, Caterpillar, Cummins etc.</li> <li>• <b>VALUE ADD:</b> Supplier of total tractor hydraulics systems (Hitch lifts) to new generation tractor manufacturers. Currently catering to Same Deutz-Fahr.</li> <li>• Producer of Hydraulic Transmission System for India's T-72 Battle Tanks. Additionally, the Company has designed the Steering Control System, Turret Control System and Braking System for <i>ARJUN</i> Main Battle Tank.</li> <li>• <b>QUALITY MANAGEMENT SYSTEMS:</b> are Certified under ISO 9001 specifications (ISO 9001:2008) and also to ISO 14001 specifications for Environmental Management System.</li> <li>• <b>GLOBAL MARKETS:</b> Dynamatic®, UK enable us to visualize Global markets in terms of quality, cost and delivery system.</li> <li>• <b>DEVELOPING NEW MARKETS:</b> During the downturn, Dynamatic®, UK utilized its resources to discover its replacement market along with OEM developing various products to the Customers.</li> </ul>		

**JKM Automotive™, Chennai**

Rs. in lacs

		31.03.2010	31.03.2009
<b>Financial Highlights</b>	Segment Sales	<b>19,004.49</b>	21,425.45
	Profit Before Interest & Tax	<b>1,051.00</b>	903.29
	Capital Employed	<b>9,318.96</b>	10,936.16
<b>Business Highlights</b>	<ul style="list-style-type: none"> <li>• <b>SINGLE SOURCE:</b> Produces high quality ferrous and non-ferrous critical engine and transmission components on a single source basis for Global Automotive OEMs.</li> <li>• <b>INNOVATIVE SUPPLY CHAIN CONTROL:</b> Incorporates state-of-the-art technologies to produce high quality automotive components for Hyundai Motor India Limited, Ford Motor Company, TATA Motors, John Deere, Fiat India, Daimler India, Renault Nissan India, Cummins &amp; Honeywell on a single source basis.</li> <li>• Moving from being Hyundai-centric to multiple customer business to mitigate business risk.</li> <li>• <b>GEOGRAPHICAL ADVANTAGE:</b> JKM Automotive™ has two manufacturing facilities located in Chennai, one of the prominent automotive hubs of India.</li> <li>• <b>STRADDLES THREE SEGMENTS:</b> Incorporates highly efficient production systems and processes to produce automotive components for Highway, Off-Highway and Technology oriented applications.</li> </ul>		

	<ul style="list-style-type: none"> <li>• <b>GREEN ENERGY:</b> Acquisition of Wind farm during 2009 which generates 17 Million KWH units of green energy during the year, resulted in 80% of annual grid power being saved and enabled the Automotive production facility to considerably reduce their carbon foot-print.</li> <li>• <b>QUALITY MANAGEMENT SYSTEMS:</b> JKM Automotive™ facilities are certified to the highest quality and safety standards specified by the automotive industry including TS 16949, OHSAS 18000 and ISO 14000 as well as to Ford Q1 quality standards. JKM Automotive™ is also approved by various Global Automotive Majors.</li> </ul>
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## Dynamatic Aerospace®, India and UK

Rs. in lacs

		31.03.2010	31.03.2009
<b>Financial Highlights</b>	Segment Sales	<b>7,821.34</b>	3,771.96
	Profit Before Interest & Tax	<b>1,432.58</b>	552.90
	Capital Employed	<b>11,582.91</b>	11,297.95
<b>Business Highlights</b>	<ul style="list-style-type: none"> <li>• <b>POLE POSITION :</b> Dynamatic Aerospace® is a pioneer &amp; a recognized leader in the Indian Private Sector for the development and manufacture of exacting Airframe Structures and Precision Aerospace components. Largest Infrastructure in the Indian Private sector. Has facilities in India and Europe.</li> <li>• <b>SUPPLIER OF CHOICE :</b> Customers like DRDO, ADE, HAL, have rewarded Dynamatic Aerospace® with key projects and awards.</li> <li>• <b>GEOGRAPHICAL ADVANTAGE :</b> HAL, NAL, ISRO, DRDO, ADE are all headquartered in Bangalore. A rare and exemplary instance of Public Private Partnership, Dynamatic® recently commenced the transfer of assembly work of Air Frame Structures for the Sukhoi-30 MKI Fighter Bomber from its production facilities in Bangalore to a new facility provided by Hindustan Aeronautics Limited at Nasik. Deliveries of the first sets of Air Frame Structures for India's largest defence programme, the Sukhoi-30 MKI Fighter Bomber, have commenced from the new Dynamatic® facility in Nasik. HAL and Dynamatic® partnership resulted in placing our engineers at their work place for development of CAD data for new generation aircraft.</li> <li>• <b>PRESENCE IN BOTH COMMERCIAL AND DEFENCE SEGMENTS :</b> Dynamatic Aerospace® is HAL's largest developmental partner on the Sukhoi 30 MKI programme and builds major Air Frame Structures for the Fighter Bomber including Canard, Ventral Fin, Horizontal Stabilizer, Slat, Vertical Fin and Air Brake. Other products include the Wing and Rear Fuselage of the LAKSHYA, India's Pilotless Target Aircraft &amp; Aileron and Flap for HJT-36, Intermediate Jet Trainer. Recently Dynamatic Aerospace® secured a contract from Boeing to manufacture Cabinets to house critical power and mission equipment for the P8I, a multi-mission maritime Patrol aircraft customized for the Indian Navy.</li> <li>• <b>SPIRIT/AIRBUS</b> Dynamatic® is working closely with Spirit AeroSystems, the world's largest Aerostructure manufacturer, as an Industrial Partner in the assembly of Flap Track Beam Project. Dynamatic® has signed a long term contract with Spirit to build assemblies for the A320 and A321 series of aircraft. The green field project started in 2008 and First Article Inspection for the assemblies were completed for the A320 in May 2009. In 12 months Aerospace division has been able to achieve Single Source Status of producing over 30 sets of aircrafts per month. <b>OFFSET POLICY:</b> Poised to ride the tidal wave of business from the Government's offset policy. Agreements signed with Boeing, Lockheed Martin, Northrop Grumman for being their Offset partners in India. <b>GLOBAL SINGLE SOURCE :</b> Work very closely with EADS and Spirit AeroSystems to assemble Flap Track Beams for the Airbus A-320 Family of Aircrafts. This is the first time that a functional aero-structure of a major commercial jet is being manufactured in India. Dynamatic Technologies has successfully achieved Single Source Supplier status for the Airbus 320 Flap Track Beams being supplied to Spirit AeroSystems (Europe) Limited.</li> <li>• <b>AVAILABILITY/DEVELOPMENT OF CRITICAL MANPOWER SKILLS :</b> Dynamatic Aerospace® team is headed by one of India's Cosmonauts, Air Cmde. (Retd.) Ravish Malhotra as its Co-Founder &amp; Chief Mentor and comprises of senior personnel retired from HAL like Mr. G. Parasurami Reddy, COO Dynamatic Aerospace®, Mr. Sadananda Shetty, DGM Production, Mr. Sukumaran Nair, AGM Production &amp; Mr. N. D. Burman, DGM Dynamatic Aerospace® (Spirit Assembly). Mr. Vishvanath Chennamale, GM Quality Assurance, Dynamatic Aerospace® over 28 years experience with DGAQA and 35 years in Aircraft industry and one of India's two NADCAP auditors for Heat Treatment. This senior team mentors a group of young engineers and skilled technicians, with an average age of 26 years. Over the last few years, this strength has grown to over 380 persons and is poised to grow further.</li> </ul>		

	<ul style="list-style-type: none"> <li>• <b>QMS</b> <ul style="list-style-type: none"> <li>i. DGAQA approval for in-house processes.</li> <li>ii. AS 9100 Rev B Certified by UL</li> <li>iii. NADCAP approvals for in-house processes.</li> <li>iv. Secured three industrial defence production licences from the Ministry of Commerce &amp; Industry, Government of India, for the Industrial Production of Heavy Vehicles such as Battle Tanks, Land Systems and Sub-Systems, and for the manufacture of two defense products - Distribution Mechanism &amp; Hydraulic Coupling which are fitted on Heavy Armoured Vehicles. Dynamatic has also received a license to manufacture Aircraft parts and accessories.</li> <li>v. First Company in Private sector to be certified by Airbus for Manufacture of Aero Structures.</li> </ul> </li> <li>• <b>EXPANSION</b> : Dynamatic Technologies has signed a Memorandum of Understanding with the Government of Karnataka for the establishment of a state-of-the-art Aerospace Manufacturing Facility at the Aerospace Park to be set up by the Karnataka Industrial Area Development Board (KIADB) adjacent to the International Airport in Bangalore. The MoU which was signed on 3<sup>rd</sup> June 2010, at the Karnataka Government's Global Investors Meet 2010, was one of the two Memorandums signed in the Aerospace segment by the Government of Karnataka at the event.</li> <li>• Acquisition of Oldland Aerospace in October 2008, a high end precision engineering Company in Bristol, UK, engaged in the manufacture of Aerospace components and tooling.</li> <li>• Oldland Aerospace™ is a certified supplier to Airbus UK, Boeing, GKN Aerospace, Magellan Aerospace, GE Aviation Systems, Lockheed Martin and Agusta Westland, with unique state-of-the-art Aeronautical manufacturing facilities possessing complex 5 axis machining capabilities, as well as the strategic locational advantage required for the forging of strong direct relationships with leading Aerospace Companies in Europe and America.</li> </ul>
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### Aluminium Castings, Dynametal®, Chennai

Rs. in lacs

		31.03.2010	31.03.2009
<b>Financial Highlights</b>	Segment Sales	3,496.27	4,094.63
	Profit Before Interest & Tax	201.48	230.43
	Capital Employed	2,189.30	2,870.50
<b>Business Highlights</b>	<ul style="list-style-type: none"> <li>• Dynametal® uses the latest metallurgical technologies to produce high quality Non-Ferrous Alloy and Castings for Industrial, Automotive and Aerospace applications at its modern foundry in Chennai.</li> <li>• The facility is equipped with electric furnaces, which makes it highly eco-friendly.</li> <li>• Infrastructure created and controlled in-house.</li> </ul>		

### Powermetric® Design, Bangalore

<b>Highlights</b>	<ul style="list-style-type: none"> <li>• A World class Design Center capable of total product and system design, with advanced capabilities in structural, thermal and dynamic engineering for analysis, design validation and optimization.</li> <li>• Designs special machine tools, being a Technology base to our Customers.</li> <li>• Design and development of core shooting machine for foundry applications.</li> <li>• Design and development of raiser cutting machine for foundry applications.</li> <li>• Design and development of internal gear pump based on gerotor principle is successfully completed.</li> <li>• Design of High Discharge water pumps for Cummins.</li> <li>• Design &amp; Development Mobile Surveillance Vehicle.</li> <li>• Design &amp; Development of Charging point for Reuben Power.</li> </ul>
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### Dynamatic Homeland Security™ (New division effective from 2010)

<b>Highlights</b>	<ul style="list-style-type: none"> <li>• A division of Dynamatic Technologies, offers cutting edge security products and technologies which will enhance potential customers capabilities in countering modern day security threats.</li> <li>• By partnering potential customers like India's National Defence Forces, Homeland Security, Police and Civilian Agencies in developing security solutions relating to Access Control, Visual-Intelligence, Counter Terror Mechanisms, Specialized Communications, Armour, Bomb-disposal, Command Centers, and training. Dynamatic® enables agencies in the government and private sectors enhance their abilities to prepare and plan for emergencies as well as their response and recovery skills.</li> </ul>
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## Non-Conventional Energy

<b>Highlights</b>	<ul style="list-style-type: none"> <li>• Generating 12 MW of power – approximately 18 million units annually, for captive consumption at JKM Automotive™ and Dynametal®.</li> <li>• Strategically located, less than an hour's drive from Coimbatore airport.</li> <li>• 48 Windmills on 440 acres of free-hold land.</li> <li>• Un-interrupted supply of power, to Automotive &amp; Metallurgy businesses.</li> <li>• Gaint Leap towards achievement of Zero Carbon footprint by manufacturing facilities in Tamil Nadu.</li> <li>• 80% reduction in monthly energy costs improving our cost competitiveness.</li> <li>• Provides freedom from energy price inflation.</li> <li>• Eco-friendly environment.</li> <li>• Scalable-Windmills can be added.</li> <li>• Strategic land bank near Coimbatore.</li> </ul>
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In spite of the above advantageous position, there are various external risk factors viz. a slowdown in global economy, economic slowdown in India, change or delay in economic reforms, economic or/and political instability, hostilities, terrorist attacks, civil unrest and other acts of violence could adversely affect the financial markets and our business. Investors may be subject to potential losses arising out of exchange rate risk on the Indian rupee and risks associated with the conversion of Indian rupee proceeds into foreign currency.

Understanding opportunities for growth as well as the barriers in each segment, your Company has constantly strive to achieve desired results, attributable to your Company's competitive strengths, namely:

- *Presence in diverse, synergistic business segments.*
- *Leadership position in Hydraulics business.*
- *Strong competence in Automotive business.*
- *Early Bird Advantage in the Aerospace business.*
- *Strong design capability and scalability.*
- *Proven management team and skilled manpower with wide experience.*
- *Well-developed, strong Blue-Chip Customer base.*

### C. SEGMENT-WISE OR PRODUCT-WISE PERFORMANCE

The sales revenues (gross) from each of the major business segments that the Company is involved in are as follows :

Segment (Gross Sales)	Amount (Rs. in lacs)		Percentage (%)	
	2010	2009	2010	2009
Hydraulics & Precision Engineering	19,357.84	19,425.60	39	40
Aluminium Casting	3,496.27	4,094.63	7	8
Automotive Components	19,004.49	21,425.45	38	44
Aerospace	7,821.34	3,771.96	16	8
Wind farm	525.24	5.79	1	0
<b>Total</b>	<b>50,205.18</b>	<b>48,723.43</b>	<b>100</b>	<b>100</b>

### D. OUTLOOK

The overall outlook for next accounting year April, 2010 to March, 2011 looks positive. The appreciating Indian currency against all major currencies, recovery in the automotive sector, higher industrial production,

sustained investments in infrastructure across India, fast development of Aerospace business gives us confidence that India's GDP will continue to grow robustly in the future.

Your Company's reputation for developing innovative, cost-effective and high quality products continues to grow both in the Domestic and Overseas markets. In the medium-term, the Company is expected to maintain a healthy growth.

Having witnessed a strong organic growth in all the segments over the years, your Company has embarked on a path of inorganic growth, through acquisitions, thereby opening up bigger opportunities in the Global markets.

### E. INTELLECTUAL PROPERTY (IP)

Your Company has defined an IP strategy to build an effective portfolio for future monetization, collaboration and risk mitigation. The total number of granted patents is **four (One International Patent, three from the European Union)**. In addition, your Company has two patents pending in multiple jurisdictions awaiting registration.

As part of acquisition of the Hydraulics Business Unit of Sauer-Danfoss, UK, your Company acquired **eleven** registered patents for various hydraulic products.

### F. RISKS & CONCERNS, INTERNAL CONTROL SYSTEMS & THEIR ADEQUACY

Your Company's increasing exposure to Global markets and Customers also brings with it the inherent risks of a Global company like Foreign Currency risk, Product Liability, Warranty, and so on. These risks are being mitigated through appropriate de-risking strategies.

The Strategic Business Units of your Company are headed by highly experienced Chief Operating Officers, who are supported by teams of capable personnel.

All key functions and divisions of your Company are independently responsible to monitor risks associated within their respective areas of operations. Your Company has identified various risks and procedures to mitigate the same.

Your Company has deployed a comprehensive Internal Audit System, which is commensurate with its scale of operations. Competent and qualified professionals,

who are external to the Company business, conduct regular and detailed Internal audits, both at the manufacturing locations and at branches in India. The Internal Auditors submit audit reports, management reports regularly, which highlight areas of concern and suggest improvements in systems and procedures. The Audit Committee periodically reviews the audit plans, audit observations of both internal and external audits and adequacy of internal controls.

The Board level Audit Committee of the Company meets at every quarter to review the Internal Audit Reports as well as Management's feed back on Internal Audit Reports and suggests improvements in the control systems from time to time. A detailed report on the Audit Committee is forming part of Corporate Governance report.

Your Company has evolved a stringent Information Security Management System to protect and safeguard key information and data from unauthorized access across its units in India and abroad. The system has been designed to ensure confidentiality, integrity and availability of critical data within the organization. New tools are used to upgrade existing systems periodically, to fit the growing size and needs of the Company.

## **G. MATERIAL DEVELOPMENTS IN HUMAN RESOURCES / INDUSTRIAL RELATIONS**

With increase in size and growth of the Company, people and leadership development is a top priority of the Company. A number of initiatives are focused on developing people into vibrant, committed effective leaders of tomorrow through the Leadership and Human Resource Development Committee.

The Leadership and Human Resource Development Committee, a board level committee meets at regular intervals at various facilities in India and abroad to review HR Processes, Mentorship programming, Appraisal capsule, Management structure, Development of Leaders within the organization, up-gradation of the Human Resource Department, Increased employment of Women, Definition of Career paths for Employees, Harmonizing quality systems across the group, Review of HR Manual and to recommend and help implement best industry practices.

Your Company continued to invest in human resources development. The total number of employees including subsidiaries as at 31<sup>st</sup> March, 2010 was 2117.

The diversified human talent of your company comprises of a work force belonging to different nationalities spread across the globe. This enables them to integrate and share their best practices, experiences, knowledge and skill sets.

The main strength of Dynamic<sup>®</sup> is its competent workforce, who have put in an average of 20-25 years of experience in your Company and is the back bone of operational units. This provides huge stability and accumulated skills in the operational area. This workforce has been participating in many social and cultural activities keeping the enthusiasm alive. Their

involvement with Company's objectives, have helped your Company raising to these heights. They have been co-operating with the management during tough times of recession; while taking up the challenge of increasing the production, during the good times.

Your Company believes in retaining talent. The attrition rate is 1% in India and 0% in UK. This is a result of continuously investing in learning and development programs for employees, creating a friendly work environment, empowering employees at all levels as well as structured reward and recognition mechanisms.

Your Company continues its increased operational productivity by reducing set-up time and adding machines in the critical path. Where possible, the cycle time has been reduced based on time studies conducted on the shop floor. New cutting tools have been introduced to hasten the manufacturing process.

The quality of Human resources available within your Company and the manner in which it has been deployed, has contributed significantly to its success. Continuous efforts are made to ensure that all employees are well trained and motivated. These efforts have ensured a peaceful industrial environment, which is supportive of your Company's long term growth strategies.

The training and development programs conducted by your Company aim at aligning individual aspirations and capabilities with the organisation's goals, thereby ensuring that the employees remain motivated and committed to the Company's vision and long term growth.

Your Company conducts regular Town Hall meetings at all its units in India and UK, which facilitate interactions between employees at all levels and the senior management including the Executive Directors of the Company. These meetings have ensured a 'two-way' vertical flow of communication within the organization and serves as a effective feedback mechanism.

**DATA MANAGEMENT SYSTEM** (DMS) introduced at the operational level enables the effective capture of data in electronic form and makes it available to interested parties. This instills confidence in customers as the data is readily available and can be viewed instantly without being tampered with in any way.

Your Company has appropriate mechanisms in place to record data on individuals' contributions, creative ideas, skill levels, motivational activities, group efficiency and individual efficiency. Data pertaining to sociological and cultural issues that impede productivity and quality of work are captured and studied.

Your Company encourages all its employees to participate in the Employee Participation Program (EPP), where they can actively participate in improvement programs and take pride in the implementation of their suggestions. Employees are regularly rewarded for their ideas and efforts. The achievements made by the

employees are presented to the various committees of the Board.

Your Company continues to look at enhancing the quality of life of all its employees and to further this objective during the current year, has geared itself to implement organizational health and safety training initiatives along with a 5S training program.

Your Company continues to impart on the job training opportunities to all its employees. Apart from this, your Company has brought in specialists to train its employees in areas such as special processes, project management, soft-skill development programs (such as personal productivity enhancement, effective teaming, business etiquette etc) especially to new recruits.

### Human Resource Practices followed across Units

<b>Highlights</b>	<ul style="list-style-type: none"><li>• Special training through technical, behavioral and relationship based programs.</li><li>• Creation of congenial, safe and secular work environment.</li><li>• Participative Management in the Company's business processes, which instills a sense of ownership in the employees.</li><li>• Definition of clear career paths.</li><li>• Exposure to your Company's global business streams.</li><li>• Consulting through Employee Forum Group.</li><li>• Created a team atmosphere.</li><li>• Better work / life balance.</li><li>• Emphasis on a long term culture change across facilities improving effectiveness towards responsibility/ ownership, proactive approach to role in all areas, actively looking for smarter ways of working (Lean).</li><li>• Growing synergies with units between India and Europe.</li><li>• Take advantage of opportunities such as shared services and further cost savings.</li><li>• Interactive Discussion of Women with Leadership Team.</li></ul>
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## CORPORATE GOVERNANCE REPORT

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In accordance with Clause 49 of the Listing Agreement with the Stock Exchanges in India and some of the best practices followed internationally on Corporate Governance, the report containing the details of governance systems and process at Dynamatic Technologies is as under.

The Securities Exchange Board of India (SEBI), with an objective to improve standards of Corporate Governance in India, in line with the needs of dynamic market, issued/ issues circular/s directing all stock exchanges to amend Clause 49 of the Listing Agreement from time to time with Corporate Governance norms which increases the responsibility of listed companies to bring in transparency and accountability and report the same in the Annual Report.

Corporate Governance involves value systems of a Company including moral, ethical and legal value frame work under which business decisions are taken.

We believe that Corporate Governance is vital in enhancing and retaining stakeholders' trust. Guiding principles of Corporate Governance are becoming an integral part of the business. Our Board exercises its fiduciary responsibility in a broad sense in every facet of its operations. Dynamatic® long standing commitment to the high standards of Corporate Governance and ethical business practices is a fundamental shared value of its Board of Directors, Management and Employees.

**Dynamatic's philosophy on Corporate Governance envisages enhancing overall shareholder's value on a sustained basis by way of:**

- Constitution of a highly independent Board of appropriate composition, size, varied expertise and commitment to discharge its responsibilities and duties.
- Ensuring timely disclosures, transparent accounting policies, and a strong, independent Board to help preserve shareholders' trust while maximizing long-term shareholders' value and respecting minority rights.
- Best practices founded upon core values of transparency, professionalism, empowerment, equity and accountability.
- Fulfilling its obligations to other stakeholders such as customers, suppliers, financiers, employees, Government and to society at large.
- Upholding, sustaining and nurturing core values in all facets of its operations through growth and innovation.
- Maximizing national wealth and adhering to transparent actions in business.

This philosophy of Dynamatic® has helped to transform itself into a higher plane of leadership.

The forward-looking approach of Dynamatic® has always helped it in achieving the desired results. This

approach has transformed the Company's culture to one that is relentlessly focused on the speedy translation of technological discoveries into innovative products. Your Company's commitment towards Corporate Governance started well before the law mandated such practices.

**Corporate Governance monitoring and review process at Dynamatic®**

Dynamatic® continuously reviews its policies and practices of Corporate Governance with a clear goal of not merely complying with statutory requirements in letter and spirit but also to constantly endeavor to implement the best international practices of corporate governance in the overall interest of all stakeholders.

**Some of the initiatives taken by the Company towards strengthening its Corporate Governance system and practices include:**

- The Company has constituted the Leadership, HRD & Remuneration committee to oversee the Corporate Governance practices, to build leadership, to review policies from time to time based on the size and need of the Company and recommend the same to the Board for adoption.
- The Corporate Governance Guidelines of the Company sets out the policies for effective functioning of the Board and its committees. It lays down various policies viz. Code of business conduct and ethics for Directors and Management personnel, Code of ethics for employees, Code of conduct for prohibition of Insider Trading, Code of conduct for SEBI (Substantial acquisition of Take over) Regulations, Key accounting policies, Interaction with investors/shareholders/analysts through analysts meet, conference calls on quarterly results, etc.,
- These Guidelines are constantly monitored and reviewed by the committee from time to time.
- The Company has appointed an independent Practicing Company Secretary to conduct Secretarial Audit. The Annual Audit Report of Corporate Governance is placed before the board.
- The Company adheres to the Secretarial Standards issued by the Institute of Company Secretaries of India, which are recommendatory in nature.

### A. BOARD COMPOSITION

Your Company's policy is to have an appropriate mix of Executive, Non Executive and Independent Directors to maintain the independence of the Board. The Board consists of Eleven (11) members, of whom Seven (7) are Non-Executive Directors and four (4) are Executive Directors. One of the Executive Director is a Promoter Director. The Board periodically reviews the need for change in composition or its size.

## Composition of the Board and Directorships/Membership held by Directors

Name of the Director	Age	Indian companies (Public Companies)*	Committee Membership**	Chairman of the Committee ***
<b>Non-Executive &amp; Independent Directors</b>				
Mr. Vijai Kapur	79	1	1	1
Dr. K. Aprameyan	67	2	2	1
Air Chief Marshal S. Krishnaswamy (Retd.)	67	1	2	2
Mr. Govind Mirchandani	59	1	-	-
Ms. Malavika Jayaram	39	1	1	-
Mr. S. Govindarajan	67	2	1	-
<b>Non-Executive &amp; Non- Independent Directors</b>				
Mr. Raymond Keith Lawton	57	1	1	-
<b>Executive Directors</b>				
Mr. B. Seshnath	52	1	-	-
Mr. N. Rajagopal	61	1	-	-
Mr. V. Sunder	48	2	1	-
<b>Executive &amp; Promoter Director</b>				
Mr. Udayant Malhoutra	44	4	1	-

### Notes:

None of the Directors are relatives within the provisions of Section 2(41) and Section 6 read with Schedule IA of the Companies Act, 1956. None of the Directors are nominees of any bank / financial institution during the year 2009-10.

\* Includes Directorship in Dynamatic Technologies Limited.

\*\* As required under Clause 49 of the Listing Agreement, the disclosure refers to memberships/chairmanship of **Audit Committee** and **Investor Grievance Committee** of public companies (listed and unlisted).

\*\*\* The Chairmanship includes '**Audit Committee**', '**Investor Grievance Committee**', '**Leadership, HRD & Remuneration Committee**' and '**Technical Development Committee**' of the Company.

### Independent Directors

Independent Director means a person other than an officer or employee of the Company or its subsidiaries or any other individual having a material pecuniary relationship or transactions with the Company which, in the opinion of our Board of Directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a Director within the meaning of Clause 49 of the Listing Agreement with stock exchanges.

### Responsibilities of the Chairman, Executive Directors

Our present policy is to have a Non-Executive Chairman – Vijai Kapur.

Our Executive Directors are Mr. Udayant Malhoutra – Chief Executive Officer & Managing Director; Mr. V. Sunder – President & Group Chief Financial Officer; Mr. N. Rajagopal – Executive Director & Chief Technology Officer; Mr. B. Seshnath – Executive Director & Chief Marketing Officer.

There are clear demarcation of responsibilities and authority among these officials. The Executive Directors of the subsidiary companies incorporated either in India or abroad will be part of the Board as a Non-Executive Director of the Company.

The Executive Directors and senior management make periodic presentations to the Board on the Company performance and business growth in the units.

### Directors' Profile

**Brief profile of all the Directors, including expertise and experience is given below:**

#### 1. Mr. Vijai Kapur, Chairman

Mr. Vijai Kapur, aged 79 years was formerly, the Dy. Managing Director, GKW Limited and past President

of –AIEI (now called CII). He has been the Director of the Company since 1992. He possesses rich business and managerial experience.

As the Chairman of the Board, he is responsible for all Board matters of the Company.

He is the Chairman of the Audit Committee and also a member of Leadership, HRD & Remuneration Committee and Nomination Committee of the Company.

#### 2. Dr. K. Aprameyan, Director

Dr. K. Aprameyan is 67 years old and has been a Director of the Company since 2003.

Dr. Aprameyan is a Post Graduate in Automobile Engineering from the Indian Institute of Science (IISc), Bangalore, and has obtained his Doctorate in the field of Internal Combustion Engines from Paris University, France. He has held various senior positions and was the Chairman and Managing Director of Bharat Earth Movers Limited (BEML) from 1995 till his retirement in December 2002.

Dr. K. Aprameyan was instrumental in BEML emerging as a major player in diverse areas ranging from earth moving equipment to railways to defence, robotics and automation. He has served as Vice President of the Fluid Power Society of India and the Chairman of Indian Earth Moving and Construction Industries Association (IECIAL). He was a former member of the Governing Council of Institute of Robotics and Intelligence Systems (IRIS) and National Council, Confederation of Indian Industries (CII). At present a member of selection committees of Indian Institute of Technology (IIT), Kanpur.

He is also a Director in Tehri Hydro Development Corporation Limited, Rishikesh, (a joint venture of

Government of India and Government of U.P.) with effect from 26<sup>th</sup> June, 2008.

Dr. Aprameyan is the Chairman of the Technical Development Committee and a member of Leadership, HRD & Remuneration and Audit Committee's of the Company.

**3. Air Chief Marshal S. Krishnaswamy (Retd.), Director**

Air Chief Marshal S. Krishnaswamy (Retd.), aged 67 years, joined the Indian Air Force as an under graduate. He has also obtained a post graduate degree in Military Science. He had a very distinguished career in the Indian Air Force and has held several senior positions, culminating in his appointment as the Chief of the Air Staff of the IAF from 2002 upto his retirement on 31<sup>st</sup> December 2004. He held the appointment of Chairman of the Chiefs' of Staff Committee till retirement.

During his service, he received various medals for his outstanding contribution including Agni Award for Excellence in Self Reliance from the Prime Minister for having made outstanding technical and operational contributions to the design, development and evaluation of indigenous combat aircraft, armament and EW systems.

Air Chief Marshal S. Krishnaswamy (Retd.) has been a Director of the Company since 2005.

He is the Chairman of the Leadership, HRD & Remuneration and Shareholders' Committee and also a member of Technical Development Committee, Audit Committee and Nomination Committee of the Company.

**4. Mr. Govind Mirchandani, Director**

Mr. Govind Mirchandani, aged 59, has completed his Degree in Bachelor of Technology from Indian Institute of Technology, Mumbai and his PGDM from the Indian Institute of Management, Kolkata, having specialized in the areas of Leadership, Building High Performance Organizations, Brands and Retail Management. He had a very distinguished career and also has held positions of seniority in various industries for over three decades. He has worked as the Executive Director & CEO of Reid and Taylor, Director of Brand House Retail Limited, CEO & Director of Arvind Brands Limited, President of the Denim division of Arvind Mills Limited, President & CEO of Personality Limited, General Manager in Shalimar Paints Limited, and the Business Head of the Interlinings division of Madura Coats Limited. He was also responsible for launching Arvind Denim in India in 1987 and also several other international and domestic brands in India Viz., Arrow, Lee, Wrangler, Excalibur, Newport, Reid & Taylor, Belmonte, Stephens Brothers etc. Mr. Govind has won several IMAGES Awards and is a recipient of Indira Super Achiever Award as well as the coveted Bharat Vikas Award for outstanding contribution to the field of management. Mr. Govind has been the past Chairman of YPO Bangalore Chapter and the National Vice President, Indo - American Chamber of Commerce.

Mr. Govind Mirchandani has been a Director of the Company since 2008. He is a member of Leadership, HRD and Remuneration Committee of the Company.

**5. Ms. Malavika Jayaram, Director**

Ms. Malavika Jayaram, aged 39, is a lawyer and has completed her integrated BA-LLB degree in 1994 from the National Law School of India, Bangalore. She pursued her Master of Laws (LLM) from Northwestern University, Chicago, and specialized in the fields of Computer Law, Intellectual Property Rights, International Business Transactions and EU Law. She is also qualified as a UK solicitor. At present, Malavika is a partner in Jayaram & Jayaram since August 2006 and has experience in various fields of law including technology and e-commerce contracts, outsourcing transactions, intellectual property, joint ventures, mergers and acquisitions and general commercial contracts in the manufacturing, aerospace and other technology intensive sectors. Ms. Malavika has also worked in London, UK with Global law firm, Allen and Overy and with Citigroup as a Vice President in the Technology Legal Team and also as a Senior Business Analyst within the Operations function of the Investment Bank.

Ms. Malavika has been a Director of the Company since 2008. She is a member of Technology Development Committee of the Company.

**6. Mr. S. Govindarajan, Director**

Mr. Govindarajan, aged 67 has had an outstanding career in State Bank of India which culminated in him becoming the Managing Director & Group Executive (National Banking Group).

He has the rare distinction of having served the largest Bank in India various diverse capacities as its Chief Financial Officer, Chief Treasury officer and earlier, Chief Executive Officer - Hong Kong. Added to this he has also served as Banking Ombudsman, Reserve Bank of India.

He was nominated on the Board of SBI Cards and Payment Services Pvt. Ltd., GE Capital Business Process Management Services Pvt. Ltd., State Bank of India, Canada, SBI Internation (Mauritius) Ltd., National Stock Exchange of India, Ltd., SBI Life Insurance Company Ltd.

He was an Independent Director on the Board of KLG Systel Ltd., Gurgaon, Haryana, resigned from its Board effective 13<sup>th</sup> May, 2010.

He is a member of Audit Committee and Nomination Committee of the Company.

**7. Mr. Raymond Keith Lawton, Director**

Mr. Raymond Lawton, aged 57 years old, graduated in Higher National Diploma in both Mechanical and Production engineering in 1973. He was awarded Management Fellowship in 1981.

During the year 2006-07, the Company acquired the Hydraulic Business unit of Sauer Danfoss Ltd., UK at Swindon. Mr. Lawton was the Chairman and Managing Director of Sauer Danfoss Ltd, Swindon since 2004. He started his career during 1969 as a Mechanical Engineering apprentice in Plessey Hydraulics Limited and became a Jr. Planning Engineer in 1973. He has

held various positions in his career, which spans over three decades and progressed steadily to become the Plant manager of Sauer Danfoss in 2003. Raymond Lawton became the Executive Chairman of Sauer Danfoss, Swindon in 2004. He is currently Executive Director & Chief Operating Officer, Dynamatic Limited, UK, 100% subsidiary of the Company.

Mr. Raymond Lawton has been instrumental in transforming the facility in Swindon from a conventional manufacturing plant into a modern high quality manufacturing company by introducing modern manufacturing methods and techniques. During his career in Sauer Danfoss he was responsible for the setting up and installation of two Greenfield manufacturing plants, both of which are running successfully.

He is a member of Audit Committee and Technology Development Committee of the Company.

**8. Mr. B. Seshnath, Executive Director & Chief Marketing Officer**

Mr. B. Seshnath aged 52 years, is a Mechanical Engineer with an MBA from the Indian Institute of Management, Bangalore. He has two decades of marketing experience in the Automotive, Pneumatic and Hydraulic Industries, having worked in different parts of India in senior management positions. His managerial abilities has enabled your Company to considerably develop its network of branch offices and distributors, which has in turn resulted in the expansion of the Company's operations in India and abroad. He was the former Executive Director & Chief Operating Officer of JKM Dae Rim Automotive Limited, (currently a division of Dynamatic Technologies Limited) prior to his appointment at Dynamatic Technologies as ED & Chief Marketing Officer (CMO).

Mr. Seshnath, as Executive Director & Chief Marketing Officer, is responsible for Business Development and Associated Product Development at a strategic level. He will have oversight of relationship management with strategic customers of all the Business units of the Group.

**9. Mr. N. Rajagopal, Executive Director & Chief Technology Officer**

Mr. N. Rajagopal, aged 61 years, is a Mechanical Engineer with over three decades of rich, comprehensive experience in engineering. He has served the Company in various capacities since 1980 and has competently managed various operative functions of the Company such as production, materials, design and development etc. He has been a Director of your Company since 2002. He was a former Director of JKM Daerim Automotive Limited (currently a division of Dynamatic Technologies Limited) and also formerly ED & Chief Executive Officer, Dynamatic® Hydraulics & Dynametal®.

Mr. Rajagopal, as Executive Director and Chief Technology Officer, is responsible for new product development and the management of the Company's Technical capabilities at strategic level.

He is a member of Technical Development Committee of the Company.

**10. Mr. V. Sunder, President & Group Chief Financial Officer**

Mr. V. Sunder, aged 48 years, is a senior member of the Institute of Company Secretaries of India. He has served as CEO & Executive Director of JKM Dae Rim Automotive Limited (formerly subsidiary of Dynamatic Technologies Limited) from 2000 to 2006. During his tenure the Company grew manifold in terms of sales, profitability and acquisition of new customers. He served the Company for eleven years in various Senior Management positions, prior to his appointment as CEO & Executive Director of JKM Dae Rim Automotive. Prior to taking charge as Executive Director of JKM Dae Rim Automotive, he was the General Manager- Corporate Planning & Company Secretary of the Company.

Mr. Sunder as President & Gr. CFO, heads the Corporate functioning of finance and works along with Mr. Udayant Malhoutra, CEO & Managing Director in planning & driving Corporate Strategy.

He is a member of Shareholder's Committee of the Company.

**11. Mr. Udayant Malhoutra, Chief Executive Officer & Managing Director**

Mr. Udayant Malhoutra, aged 44, is an Industrialist and the Promoter of your Company. He started work at Dynamatic Technologies Limited in 1986 and joined the Board of Directors in 1989 as Executive Director. He is currently designated Chief Executive Officer & Managing Director of the Company.

He was formerly a Member, Board of Governors, IIT Kanpur (1997-2001), Co-Chairman, Task force on DRDO – Industry Partnership along with Dr. K. Santhanam, Ministry of Defence, Government of India (1998-99), Member, Working Group for formulation of 10<sup>th</sup> five year plan (2001), and Chairman, Sub-Group on Minerals, Metals, Materials Manufacturing sector for formulation of 10<sup>th</sup> five year plan, Council of Scientific Industrial Research (CSIR) / Department of Scientific Industrial Research (DSIR), Government of India, (2001), Member, CII National Council (2001-2003) and Chairman, CII National Committee on Technology (2002-2003). He was President, Fluid Power Society of India, (2004-06 2006-08). He was on the International Board of the World Presidents' Organization and the Young Presidents' Organization (2005-2008).

He is at present the Chairman of CII National Committee on Design (2010-2011) and Member, CII National Council (2010-2011).

Mr. Udayant Malhoutra, as Chief Executive Officer & Managing Director, is responsible for overall Corporate Strategy, Brand Equity, Maintenance of Key Relationships, Technology Management and achieving the Annual Business Plan of the Company and its Subsidiaries. He is also responsible for leading the Leadership team of Dynamatic® in transforming the Company into a world class design and manufacturing organization.

He is also a member of Technical Development Committee, Shareholders' Committee and Nomination Committee of the Company.

#### Board membership criteria

The Chairman works with the entire Board to determine the appropriate characteristics, skills and experience required for the Board as a whole as well as its individual members. Each independent Director possesses specialized skills in the areas of their profession including strategy, technology, finance, quality and human resources. Independent Directors guide the Board in achieving the vision and mission of the Company. Executive Directors are required to possess operational expertise in their areas of performance.

#### Selection of New Directors

The Board is responsible for the selection of new Directors through its 'Nomination Committee'. The process of screening and selection of new Directors is undertaken by the Nomination Committee. This

Committee in turn makes recommendation to the Board for the induction of any new Director.

#### Board compensation policy

Remuneration Committee, which is a part of Leadership, HRD and Remuneration Committee, determines and recommends to the Board the compensation payable to the Directors. All Board level compensation payable is approved by the requisite authorities as may be required under Indian statute. Remuneration of Executive Directors consists of fixed components and performance incentives. The Committee reviews the performance of Executive Directors annually and approves the compensation within the parameters set by the Shareholders at the Shareholder's meetings.

Only sitting fees is paid to Non-Executive Directors for attending the Board /Committee Meetings and the amount paid is within the limits specified by the Central Government from time to time.

#### Compensation paid to the Directors for the year ended 31<sup>st</sup> March, 2010

Name of the Director	Remuneration			Total Rs.	No. of shares
	Sitting fees	Salary & allowance Rs.	Perquisites Rs.		
<b>Non-Executive &amp; Independent Directors</b>					
Mr. Vijai Kapur	120,000	-	-	120,000	-
Dr. K. Aprameyan	270,000	-	-	270,000	-
Air Chief Marshal S. Krishnaswamy (Retd.)	285,000	-	-	285,000	77
Mr. S. Govindarajan	180,000	-	-	180,000	-
Mr. Raymond Keith Lawton	120,000	-	-	120,000	-
Mr. Govind Mirchandani	135,000	-	-	135,000	-
Ms. Malavika Jayaram	120,000	-	-	120,000	-
<b>Executive Directors</b>					
Mr. V. Sunder	-	2,811,167	303,267	3,114,434	-
Mr. N. Rajagopal	-	2,245,091	264,334	2,509,425	278
Mr. B. Seshnath	-	2,245,091	183,981	2,429,072	-
<b>Executive &amp; Promoter Director</b>					
Mr. Udayant Malhoutra	-	3,138,511	244,389	3,382,900	9,36,707

#### Note

None of the Non Executive Directors have any material financial interest in the Company. Only sitting fees been paid to the Non Executive Directors including Chairman of the Company for attending Committee / Sub-Committee meetings of the Company.

#### B. BOARD MEETINGS

##### Scheduling and selection of Agenda items for Board / Committee meetings

- Your Company holds a minimum of four Board meetings each year, which are pre-scheduled at the end of each quarter. Notice of the meeting is sent to the Directors with an advance notice of at least 15 days. Apart from the four pre-scheduled Board meetings, additional Board meetings may be convened at any time in case of exigencies. Where circumstances so require, the Board may approve resolutions by circulation as permitted by law.
- All divisions / departments of the Company are expected to plan their requirements well in

advance, particularly with regard to matters requiring discussion / approval / decision at Board / Committee meetings. All such matters are communicated to the Company Secretary well in advance so that the appropriate background notes are circulated to the Board members for meaningful discussion. Video / tele-conference facilities are also used to enable Directors, who are traveling, to participate in the meetings.

During the year seven (7) Board meetings were held on 2<sup>nd</sup> May, 2009, 30<sup>th</sup> June, 2009, 10<sup>th</sup> July, 2009, 30<sup>th</sup> July, 2009, 25<sup>th</sup> August, 2009, 29<sup>th</sup> October, 2009 and 30<sup>th</sup> January, 2010.



### Board meetings and the attendance of Directors

Name of the Director	No. of meetings		Participation Via Tele conference
	Held	Attended	
Mr. Vijai Kapur	7	3	-
Dr. K. Aprameyan Air Chief Marshal S. Krishnaswamy (Retd.)	7	7	-
Mr. Raymond Keith Lawton	7	4	-
Mr. Govind Mirchandani	7	6	-
Mr. S. Govindarajan	7	6	-
Ms. Malavika Jayaram	7	5	-
Mr. B. Seshnath	7	7	-
Mr. N. Rajagopal	7	7	-
Mr. V. Sunder	7	7	-
Mr. Udayant Malhoutra	7	6	1

#### Note

All the directors attended the Annual General Meeting held on 25<sup>th</sup> August, 2009 except Mr. Vijai Kapur and Ms. Malavika Jayaram.

### Availability of information to Board members

The Board has unencumbered access to any relevant information of the Company. At Board meetings, employees / persons who can provide further insights into the items being discussed are invited.

The Company has ensured that all key events concerning the governance of the Company's affairs are brought before the Board well in advance. In addition, the Board is provided with the information as specified in Annexure 1A of Clause 49 of the Listing Agreement with the Stock Exchanges.

The information regularly supplied to the Board includes Annual operation plans and budgets, Capital budgets and updates, Quarterly results of our operating divisions or business segments, Minutes of the meetings of the Board and Committees, General notice of interest, Recommending dividend keeping in view the Company's profitability and the requirement of funds for the future growth of the Company, Determining Directors who need to retire by rotation and recommending fresh appointments of Directors / Auditors, Authentication of annual accounts and approving Directors' Report, Materially important litigations, Show cause, Demand, Prosecution and penalty notices, Fatal or serious accidents, Material effluent or pollution problems, Issues involving public or product liability claims, Details of joint ventures, Acquisition of companies or collaborations agreements, Intellectual property related matters, Human Resource Development, Investments, Subsidiaries, Foreign exchange exposure, Company's risk management policies, Non compliance of regulatory, Statutory or listing requirements, Shareholder services and long term strategic plans of the Company and principal issues that the Company expects to face in the future. The Board also notes and reviews the functioning of its Committees regularly.

The Chief Executive Officer & Managing Director of the Company and the Company Secretary in consultation with Chairman of the Board / Committee and other Executive Directors finalize the agenda papers for the Board / Committee meetings.

- The Executive Directors of the Company attend the respective Committee meetings as members / invitees.
- The functional heads can attend Board / Committee meetings as and when required.
- The Company Secretary acts as Secretary to all the Committees constituted by the Board.

### Recording Minutes of the Proceedings of Board/ Committee meetings.

The Company Secretary records the minutes of the proceedings of Board and Committee Meetings. Draft minutes are circulated to the Chairman and other members of the Board / Committee for their comments. Thereafter, it is finalized in consultation with the Chairman. The minutes of the proceedings of the meetings are entered in the minutes book within 30 days of the conclusion of the meeting.

### Post Meeting Follow-up Mechanism

Your Company has an effective follow-up mechanism to ensure that decisions taken by the Board / Committee are implemented in a time bound manner, both in letter and in spirit. Action taken reports are placed at every Board / Committee meeting which explains the action taken on every past decision of the Board / Committee. This mechanism ensures that board decisions are subject to effective post meeting follow-up and monitoring.

### Compliance with Laws

The Company Secretary is the Compliance Officer of the Company and acts as an effective link between the Board and Senior Management. The functional heads certify to Board about their compliance with legislations that concern them and these affirmations are noted and taken on record by the Board.

### Code of Business Conduct & Ethics

The Company has framed and adopted a detailed written *Code of Business Conduct & Ethics* for its Directors, members of the senior management team and employees of its Subsidiaries. The Code outlines the Company's values, principles and guidelines on a variety of subjects. The Board of Directors, members of the senior management and employees of the Subsidiaries are expected to ensure adherence to the set of moral values and policies enhanced in the Code.

The details of the Code of conduct are posted on the web site of the Company ([www.dynamics.com](http://www.dynamics.com)). In accordance with Clause 49 of the Listing Agreement, the declaration is signed by Mr. Udayant Malhoutra, Chief Executive Officer & Managing Director and Mr. V. Sunder, President & Group CFO of the Company as elsewhere reported in this report.

### C. BOARD COMMITTEES

Currently, the Board has five (5) Committees: Audit Committee, Leadership, HRD & Remuneration Committee, Shareholders' Committee, Technical Development Committee and Nomination Committee.

## Procedure at Committee Meetings

The Company's guidelines relating to Board meetings are applicable to Committee meetings as far as may be practicable. Minutes of the proceedings of the Committee meetings are placed before the Board meetings for perusal and records. The Quorum for the meetings is either two members or one third of the members of the Committee, whichever is higher.

### 1. Audit Committee

The Board level Audit Committee has been constituted at its Board meeting held on 21<sup>st</sup> July, 2001, with the following stated powers and terms of reference. The Board reviews the scope of the Committee and its terms of reference from time to time.

#### Composition

The Audit Committee of the Board comprises of the following five (5) Non Executive Directors:

Mr. Vijai Kapur, Chairman  
Dr. K. Aprameyan  
Air Chief Marshal S. Krishnaswamy (Retd.)  
Mr. Raymond Keith Lawton  
Mr. S. Govindarajan

Dr. K. Aprameyan, an Independent Director, is the Alternate Chairman of the committee to Mr. Vijai Kapur.

All the members of the Committee are Independent except Mr. Raymond Keith Lawton, Executive Director of the Subsidiary, Dynamatic Limited, UK.

All the members of the Audit Committee are financially literate, having rich and vast experience having been industrialists or technical experts with exposure to finance, accounting and financial management. The composition of the Audit Committee meets the requirements of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing agreement.

#### Objective

The Audit committee assists the Board in its responsibility:

- To oversee the quality and integrity of the accounting, auditing and reporting practices of the Company and its compliances with the legal and regulatory requirements.
- To oversee the audits of the Company's financial statements, appointment, independence and performance of Internal Auditors and the Company's risk management policy.

#### Terms of Reference

Powers of the Audit Committee include:

- Investigate any activity within its terms of reference.
- Seek information from any employee.

- Obtain outside legal or other professional advice.
- Secure attendance of outsiders with relevant expertise, if necessary.

#### The role of Audit Committee includes:

- Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- Recommending to the Board, the appointment, re-appointment and if required, the replacement or removal of Statutory Auditor and fixation of audit fee.
- Approval of payment to Statutory Auditors for any other services rendered to the Company.
- Reviewing with the management, the annual financial statements before submission to the Board for approval.
- Reviewing with the management, the quarterly financial statements before submission to the Board for approval.
- Reviewing with the management, performance of Statutory and Internal Auditors, and adequacy of internal control systems of the Company.
- Reviewing the adequacy of Internal Audit Function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of Internal Audits.
- Discussion with Internal Auditors on any significant findings and follow-up thereon.
- Reviewing the findings of any internal investigations by the Internal Auditors into matters where there is a suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- Discussion with the Statutory Auditors before the audit commences about the nature and scope of audit as well as post-audit discussions to ascertain any area of concern.
- Reviewing the Company's financial and risk management policy.
- To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared Dividends) and creditors, if any.
- Reviewing the financial statements, particularly the investments made by the Subsidiary Company/ies.
- Carrying out any other function as is mentioned in terms of reference of the Audit Committee.

### Attendance at Audit Committee Meetings Held During the Year 2009-10

Audit Committee meetings were held on 30<sup>th</sup> June 2009, 30<sup>th</sup> July 2009, 29<sup>th</sup> October 2009 & 30<sup>th</sup> January 2010.

Name of the Director	No. of Meetings	
	Held	Attended
Mr. Vijai Kapur	4	2
Dr. K. Aprameyan	4	4
Air Chief Marshal S. Krishnaswamy (Retd.)	4	4
Mr. Raymond Keith Lawton	4	3
Mr. S. Govindarajan	4	3

The Executive Directors of the Company / Subsidiary Company/ies, Internal Auditors, representatives of Statutory Auditors and Financial Controller attend as invitee and participate in the Committee meeting/s to review and discuss financial performance, disclosure practices, internal control systems, internal audit reports, feedback reports of management and financial policies of the Company so that the Committee is able to oversee the financial reporting process, make appropriate financial disclosures and implement the terms of reference as mandated by the Board and the terms of the Listing Agreement. The Statutory Auditors and Internal Auditor actively participate and recommend the required policies and changes from time to time.

Dr. K. Aprameyan, alternative Chairman of the Audit committee, was present at the Annual General Meeting held on 25<sup>th</sup> August, 2009 to answer the shareholders' queries.

### 2. Leadership, HRD and Remuneration Committee

Your Company had constituted a "Remuneration committee" at its Board meeting held on 7<sup>th</sup> July, 2002. Considering the need for developing leadership within the group and the significance of absorbing, retaining and training high quality manpower, the Remuneration Committee was renamed as the "HRD & Remuneration Committee" with effect from 22<sup>nd</sup> July, 2006. Further, the Committee was renamed as the "Leadership, HRD & Remuneration Committee" with effect from 11<sup>th</sup> February, 2008.

#### The Committee comprises of four (4) Non-Executive, Independent Directors:

Air Chief Marshal S. Krishnaswamy (Retd.),  
Chairman  
Mr. Vijai Kapur  
Dr. K. Aprameyan  
Mr. Govind Mirchandani

Dr. K. Aprameyan, an Independent Director, is the Alternate Chairman to Air Chief Marshal S. Krishnaswamy (Retd.).

### Purpose

#### The purpose of the said Committee is:

- To build leadership within the group
- To guide management in building a strong, world-class and competitive business model to sustain business growth.
- To discharge the Board's responsibilities relating to the compensation of the Company's Executive Directors and senior management.
- To assume the overall responsibility for approving and evaluating the compensation plans, policies and programs for Executive Directors and senior management.
- To review the existing HR policies and recommend necessary changes from time to time.

### Attendance at the Leadership, HRD and Remuneration Committee Meetings held during the year 2009-10.

The Committee meetings were held on 2<sup>nd</sup> May 2009, 30<sup>th</sup> June 2009, 29<sup>th</sup> October 2009 & 31<sup>st</sup> January 2010.

Name of the director	No. of meetings	
	Held	Attended
Air Chief Marshal S. Krishnaswamy (Retd.)	4	4
Mr. Vijai Kapur	4	3
Dr. K. Aprameyan	4	4
Mr. Govind Mirchandani	4	3

### 3. Shareholders' Committee / Investor Grievance Committee

The Board level Shareholders' Committee comprises of three (3) Directors. They are:

Air Chief Marshal  
S. Krishnaswamy (Retd), Chairman  
Mr. V. Sunder  
Mr. Udayant Malhoutra

#### Attendance at the Committee Meetings held during the year 2009-10

The Committee Meetings were held on 30<sup>th</sup> July 2009, 29<sup>th</sup> October 2009 & 30<sup>th</sup> January 2010.

Name of the Director	No. of Meetings	
	Held	Attended
Air Chief Marshal S. Krishnaswamy (Retd.)	3	3
Mr. V. Sunder	3	3
Mr. Udayant Malhoutra	3	2

#### Compliance officer

Ms. G. Haritha, GM Compliance & Company Secretary is the Compliance Officer for complying with the requirements of SEBI Regulations and the Listing Agreement with the Stock Exchanges in India.

**Purpose:**

The primary object of this Committee is to review all issues relating to shareholders including share transfers, redress shareholders / investor grievances, issues relating to duplicate share certificates, transmission of shares and other related matters.

**Investor Grievance report for the year 2009-10**

The details of the types and number of complaints received and resolved during this period are as under:

**Details of Complaints During the Year 2009-10**

Nature of complaints	Received during the year	Resolved during the year
Letter from SEBI/ROC /Stock Exchanges	1	1

There were no outstanding complaints as on 31<sup>st</sup> March, 2010. 22 requests (2,028 Equity shares) for transfers and 9 requests (1,145 Equity shares) for transmissions and deletion of name and 78 requests (592,926 Equity shares) for dematerialization were received and approved by the Company. The Company has approved all requests which had fulfilled the legal requirements. In the case of those requests where additional information/clarifications were required, the shareholders have been intimated about the requirements.

In addition, various communications viz. request for annual reports, revalidation of dividend warrants, change of address, transfer of shares etc., have been received from the shareholders by the Registrars of the Company or at the Registered office of the Company and these have been addressed to the satisfaction of the shareholders.

Every quarter, the Company reviews various communications received by the Registrars situated at Hyderabad. These communications and the replies furnished are made available to the Company through Karvy's website Karvy, Karisma. A quarterly report of the same is submitted to the Committee for improving the investor relations and services provided to them. Karvy is providing high standards of shareholder servicing through their services and updated technological support, thereby ensuring that your Company provides its investors the best possible services.

**Share Transfer Committee – Sub Committee of Shareholders' Committee**

A Share Transfer Committee has been constituted by the Board to ensure timely and efficient servicing of requests for share transfers and transmissions.

**It comprises of the following members:**

Mr. Udayant Malhoutra	Chairman
Mr. N. Rajagopal	Member
Ms. G. Haritha	Member

The Committee has the responsibility of approving cases which comply with the required provisions of the applicable laws of India relating to share transfers, transmissions, transpositions, duplicate share certificates, exchange, consolidations, etc, on a fortnightly basis. The status on complaints and share transfers is reported to the Board.

Share transactions in electronic form can be effected in a much simpler and faster manner. After confirmation of sale / purchase transaction from the broker, shareholders should approach the depository participant with a request to debit or credit the account for the transaction. Shareholders are periodically requested to utilize the demat facility.

**4. Technical Development Committee (a voluntary initiative from the Company)**

A Board level Technical Development Committee was constituted by the Board in 2003 and has been driven by the technocrats of the Nation. The majority of its products are proprietary in nature, and have augmented the Intellectual properties of the Company. Dynamatic® has registered patents and trade marks for its various products and its processes in India and across the Globe from time to time.

**Objective**

The Committee provides direction on the Company's Research and Development strategy and on key issues pertaining to R&D technology. The Committee also reviews and update the skills and competence required, the structure and the process needed to ensure that the R&D initiatives today result in products necessary for the sustained and long term growth of the Company.

Key objectives of Technology Development Committee are as follows:

- Develop fit for purpose and moving towards futuristic technologies.
- Provide effective project support and assurance to production and its business.
- Provide best technical assistance available across the globe.
- Exploit synergies through cutting edge technologies.
- Deploy scientists, engineers to meet current and future business needs.
- Promote and develop Intellectual Property at every stage of process and product.
- Working as a Design developmental partner with customers in future technologies across the units.
- Innovation on extreme efficiency, value, maximization to serve the new market conditions and safety and reliability of assets, across the Company as a part of its DNA.

**The Committee comprises of the following members:**

Dr. K. Aprameyan, Chairman  
 Air Chief Marshal S. Krishnaswamy (Retd.)  
 Mr. Raymond Keith Lawton  
 Ms. Malavika Jayaram  
 Mr. N. Rajagopal  
 Mr. Udayant Malhoutra

**Attendance at the Technical Development Committee meetings during the year 2009-10.**

The meetings were held on 2<sup>nd</sup> May 2009, 29<sup>th</sup> October 2009 & 30<sup>th</sup> January 2010.

Name of the Director	No. of Meetings	
	Held	Attended
Dr. K. Aprameyan Air Chief Marshal S. Krishnaswamy (Retd.)	3	3
Mr. Raymond K. Lawton	3	2
Ms. Malavika Jayaram	3	3
Mr. N. Rajagopal	3	3
Mr. Udayant Malhoutra	3	3

The Technical and operations heads attend the Committee meeting to present the improvements, made with regard to new technical products and innovation, which deliver greater value to its existing and new customers.

**5. Nomination Committee**

The Board at its meeting held on 14<sup>th</sup> May, 2010, constituted the Nomination Committee.

**Objective**

The Committee considers:

- Proposals for searching, evaluating, and recommending appropriate Independent Directors and Non-Executive Directors, based on an objective and transparent set of guidelines which should be disclosed and should, inter-alia, include the criteria for determining qualifications, positive attributes, independence of a Director and availability of time with him or her to devote to the job
- Determining processes for evaluating the skill, knowledge, experience and effectiveness of individual Directors as well as the Board as a whole.
- The Nomination Committee should also evaluate and recommend the appointment of Executive Directors.

**The Committee comprises of the following members:**

Mr. Vijai Kapur, Chairman  
 Air Chief Marshal S. Krishnaswamy (Retd.),  
 Chairman of Leadership Committee  
 Mr. S. Govindarajan, Independent Director  
 Mr. Udayant Malhoutra, CEO & Managing Director

**SUBSIDIARY COMPANIES**

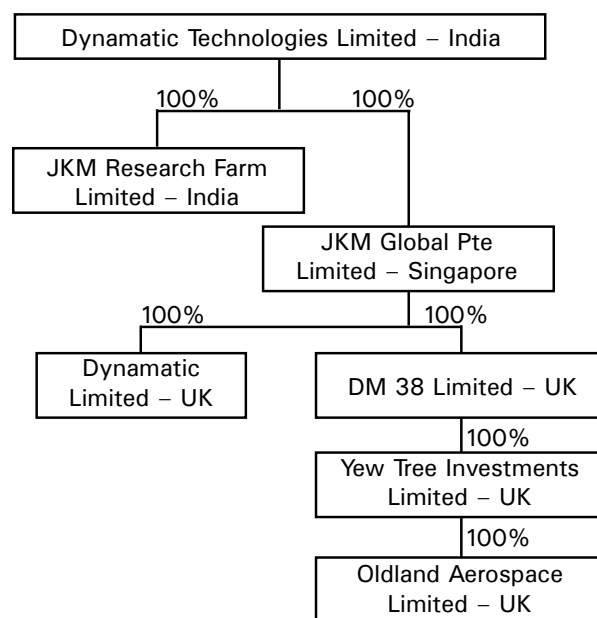
All the subsidiary companies of the Company are professionally driven by their respective Board to manage such companies in the best interest of their stakeholders. The Executive Directors of the Subsidiaries may be nominated as Non – Executive Directors of the Company. Financial statements, in particular the investments / loans made by the unlisted subsidiary companies, are reviewed quarterly by the Audit Committee. All minutes of the meetings of material unlisted Subsidiary Companies are placed before the Company’s Board regularly.

A statement containing all significant transactions and arrangements entered into by the unlisted Subsidiary Companies is placed before the Company’s Board.

**Your Company has following Subsidiaries:**

- JKM Research Farm Limited, India (JKMRFL)
- JKM Global Pte. Limited, Singapore (JKMGL)
- Dynamatic Limited, United Kingdom (DL)
- DM 38 Limited, United Kingdom (DM 38)
- Yew Tree Investments Limited, United Kingdom (YTL)
- Oldland Aerospace Limited, United Kingdom (OAL)

**Dynamatic Holding, Subsidiary Structure**



During the year the Company has obtained exemption from the Government of India, Ministry of Corporate affairs from attaching the financial accounts of the Subsidiary companies to this Report pursuant to Section 212 of the Companies Act, 1956. However, a statement showing the relevant details of the Subsidiaries is enclosed and is a part of the Annual Report.

## **D. SHAREHOLDERS' DISCLOSURES**

### **Disclosure regarding appointment or re-appointment of Directors**

Under Section 256 of the Companies Act read with the Articles of Association of the Company one third of the Directors retire by rotation and, if eligible, seek re-appointment at the Annual General Meeting. As per Article 130 of the Articles of Association, Mr. Vijai Kapur, Mr. Raymond Keith Lawton and Mr. S. Govindarajan will retire in the ensuing Annual General Meeting. The Board has recommended re-appointment of all the retiring Directors.

The detailed profiles of all these Directors are provided elsewhere in this report.

### **Communication to shareholders**

The Quarterly results of the Company, for the quarters ended 30<sup>th</sup> June, 30<sup>th</sup> September, 31<sup>st</sup> December and 31<sup>st</sup> March are published in the Business Standard, All India Edition, and in Sanjevani, Bangalore Edition. The results are displayed on the Company's website www.dynamics.com within 24 hours of release. The Company's website is regularly updated with enterprise-wide news and events of material importance. Official announcements and media releases are sent to the Stock Exchanges regularly.

Conference calls with Analysts and Shareholders / Investors are conducted as may be necessary from time to time.

The Annual report containing, inter alia, Audited Financial Statements, Consolidated Financial Statements, Directors' Report, Auditors' Report, and other important information is circulated to members and others entitled thereto.

Printed copy of Chairman's speech is distributed to all the shareholders at the Annual General Meeting.

The Company issues reminders to concerned Shareholders about unclaimed dividend as well as physical form shares which require demating.

### **Management Discussion and Analysis Report**

This forms part of the Directors' Report.

### **Risk Management Policy**

This forms part of the Management Discussion and Analysis Report.

### **Proceeds from Public Issues, Rights Issues and Preferential Issues etc.,**

No money was raised through any of the aforesaid means during the financial year under review.

### **Remuneration of Directors**

Compensation in the form of sitting fees to Non-Executive Directors and remuneration to Executive Directors, including the number of shares held by the Directors has been disclosed elsewhere in this report.

### **Non Compliances**

There are no instance of non-compliance by the Company, penalties and strictures imposed on the Company by Stock Exchanges or SEBI or any statutory authorities, on any matter related to capital markets during the last three years.

### **Disclosure of materially significant Related party Transactions i.e transactions of the Company of material nature, with its Promoters, the Directors or the management, their relatives, or Subsidiaries, etc. that may have potential conflict with the interests of the Company at large.**

All related party transactions have been entered into in the ordinary course of business and were placed before the Audit Committee in a summarized form.

All individual transactions with related parties were on an arms length basis and are intended to further the interests of the Company. The Accounting Standards issued by the Institute of Chartered Accountants of India as applicable to the Company from time to time, have been complied with in preparation of the financial statements. A detailed report is disclosed as a part of financial statements in this Annual report.

### **Whistle Blower mechanism**

Your Company promotes ethical behaviour in all its business activities and has put in place a mechanism of reporting illegal or unethical behaviour. Employees may bring any violation of laws, rules, regulations or unethical conduct to the notice of their immediate head of operations or through Employee Participation Program. The employees are also encouraged to contact any Executive Director of the Company including CEO & Managing Director about such matters. The Directors and management personnel are mandated to maintain confidentiality of such reporting and ensure that no discriminatory actions are taken.

## General Body meetings

### Annual General Meetings/ Extraordinary General Meeting:

Location, date and time of the Annual General meetings/Extraordinary General Meetings held during the preceding three years and the Special resolutions passed thereat are as follows:

Year	Venue	Date and Time	Special Resolution Passed
2006-07 AGM	Dynamic Technologies Limited Dynamatic Park Peenya Bangalore 560058	28 <sup>th</sup> September, 2007 at 2.30 p.m.	Approval for borrowing powers in excess of paid-up capital and free reserves not exceeding Rs.150 Crores.
EGM	"	28 <sup>th</sup> September, 2007 at 4.15 p.m.	Approval of Scheme of merger of JKM Daerim Automotive Limited with Dynamatic Technologies Limited.
2007-08 AGM	"	27 <sup>th</sup> September, 2008 at 3.00 p.m.	Approval for Increasing FII Limits
EGM	"	30 <sup>th</sup> June, 2008 at 3.00 p.m.	Approval of Issue of Shares to persons other than existing shareholders through QIP Placement.  Approval for borrowing powers in excess of paid up capital and free reserves not exceeding Rs.300 crores.
2008-09 AGM	"	25 <sup>th</sup> August, 2009 at 3.00 p.m.	NA

During the year there was no resolution passed through Postal ballot within the meaning of Section 192A of the Companies Act, 1956.

### General Shareholder Information

Your Company was incorporated in Bangalore, in 1973, as Dynamatic Hydraulics Limited within the provisions of the Companies Act, 1956 and changed its name to Dynamatic Technologies Limited in 1992. Your Company made an initial public offer in 1974 and by 1995, had made five rights issues & one bonus issue. Qualified Institutional Placement of shares to FII's was done 2008. Shares are listed on Bombay stock exchange and National stock exchange. On merger of JKM Daerim Automotive Limited (JDAL), (a subsidiary of your Company) with your Company, the Company had issued shares to the shareholders of JDAL.

The address of the registered office is Dynamatic Park Peenya, Bangalore 560 058, Karnataka, India.

### Unclaimed dividend

Section 205 of the Companies Act, 1956 mandates that Companies transfer dividend that has been unclaimed for a period of seven years from unpaid dividend account to the Investor Education and Protection Fund (IEPF). As given in the following table, the dividend for the years mentioned below, if unclaimed within a period of seven years, will be transferred to IEPF.

Dividend for the year	Date of declaration of dividend	Last date for Claiming unpaid dividend	Due date for transfer to IEPF
2002-03	24.09.2003	24.09.2010	23.10.2010
2003-04	30.08.2004	30.08.2011	30.09.2011
2004-05			
Interim dividend	29.10.2004	29.10.2011	29.11.2011
Final dividend	23.07.2005	23.07.2012	23.08.2012
2005-06			
Interim dividend	25.11.2005	25.11.2012	25.12.2012
Final dividend	16.09.2006	16.09.2013	16.10.2013
2006-07			
Interim dividend	08.06.2007	08.06.2014	08.07.2014
Final dividend	28.09.2008	28.09.2015	28.10.2015
2007-08			
Interim dividend	22.01.2008	22.01.2015	22.02.2015
Final dividend	27.09.2008	27.09.2015	27.10.2015
2008-09			
Interim dividend	02.05.2009	02.05.2016	02.06.2016
Final dividend	25.08.2009	25.08.2016	25.09.2016
2009-10			
Interim dividend I	29.10.2009	29.10.2016	29.11.2016
Interim dividend II	30.01.2010	30.01.2017	28.02.2017

Your company will send a communication to the shareholders, advising them to lodge their claims with respect to unclaimed dividend. Shareholders are requested to make their claims. Once the unclaimed dividend is transferred to IEPF, no claim shall be made in respect thereof.

#### Dividend payment to shareholders

Board of Directors of the Company declared an Interim Dividend of Rs.2/- and Rs.2.50/- per share of face value Rs.10/- each at its Board meetings held on 29<sup>th</sup> October, 2009 and 30<sup>th</sup> January, 2010.

The Record date for the purpose of payment of Interim Dividends were fixed as 6<sup>th</sup> November, 2009 and 5<sup>th</sup> February, 2010.

Your Board of Directors have recommended a Final Dividend of Rs.3/- per share.

The Register of Members and Share Transfer Books will remain closed from 15<sup>th</sup> September, 2010 to 22<sup>nd</sup> September, 2010 (both days inclusive) to determine the entitlement of shareholders to receive the Final Dividend as may be declared for the year ended 31<sup>st</sup> March, 2010.

Final Dividend will be paid on or before 21<sup>st</sup> October, 2010 to those members whose names appear on the Company's register of members, after giving effect to all valid share transfers in physical form lodged with M/s. Karvy Computershare Private Limited, Registrar and Share Transfer Agent of the Company.

In respect of shares held in electronic form, Dividends will be paid to those deemed members whose names appear in the statements of beneficial ownership furnished by NSDL and CDSL as at the opening hours on 22<sup>nd</sup> September, 2010.

#### Investor services

The Company has paid the listing fee for the year 2009-10 to the Stock Exchanges, where the shares of the Company are listed in India.

#### Annual General Meeting for the year 2009-10

**Date and time** 22<sup>nd</sup> September, 2010  
**Venue** Dynamatic Park Peenya Bangalore  
**Financial calendar** Our tentative calendar for declaration of results for the financial year 2010-11 is given below:

#### Calendar for Reporting:

Quarter ended	Release of results
30 <sup>th</sup> June, 2010 (Limited Review Unaudited 1 <sup>st</sup> quarter results)	Before 14 <sup>th</sup> August, 2010
30 <sup>th</sup> September, 2010 (Limited Review Unaudited 2 <sup>nd</sup> quarter results)	Before 14 <sup>th</sup> November, 2010
31 <sup>st</sup> December, 2010 (Limited Review Unaudited 3 <sup>rd</sup> quarter results)	Before 14 <sup>th</sup> February, 2011
31 <sup>st</sup> March, 2011 (Limited Review Unaudited 4 <sup>th</sup> quarter results)	Before 14 <sup>th</sup> May, 2011

#### International Securities Identification Number (ISIN No)

ISIN is an identification number for traded shares. This number needs to be quoted in every transaction relating to the dematerialized shares of the Company. ISIN number for DTL equity shares is INE221B01012

#### Corporate Identity Number (CIN)

CIN, allotted by Ministry of Corporate Affairs, Government of India is L85110KA1973PLC002308 and our Company registration Number is 2308.

#### Distribution Schedule

Particulars	31 <sup>st</sup> March, 2010				31 <sup>st</sup> March, 2009			
	No. of Share holders	% of total Share holders	No. of Shares	% of No. of Shares	No. of Share holders	% of total Share holders	No. of Shares	% of No. of Shares
1 – 5000	5,078	92.43	393,324	7.27	5,163	92.49	408,463	7.54
5001-10000	226	4.11	159,254	2.95	235	4.21	166,044	3.07
10001-20000	94	1.71	137,155	2.53	95	1.70	137,873	2.55
20001-30000	25	0.46	60,202	1.11	26	0.47	65,113	1.20
30001-40000	18	0.33	64,388	1.18	16	0.29	58,850	1.09
40001-50000	6	0.11	29,275	0.54	6	0.11	29,752	0.55
50001-100000	13	0.24	85,684	1.59	14	0.25	85,863	1.59
100001 & ABOVE	34	0.62	4,485,421	82.83	27	0.48	4,462,745	82.42
<b>Total</b>	<b>5,494</b>	<b>100.00</b>	<b>5,414,703</b>	<b>100.00</b>	<b>5,582</b>	<b>100.00</b>	<b>5,414,703</b>	<b>100.00</b>



## Shareholding Pattern

Category	31 <sup>st</sup> March, 2010		31 <sup>st</sup> March, 2009	
	No. of Shares held	Percentage	No. of Shares held	Percentage
<b>PROMOTERS HOLDING</b>				
<b>Indian Promoters</b>				
Udayant Malhoutra	936,707	17.30	945,447	17.47
JKM Holdings Pvt Ltd	803,135	14.83	803,135	14.83
Udayant Malhoutra & Co., Pvt Ltd	688,518	12.72	617,243	11.40
JKM Offshore India Pvt Ltd	434,769	8.03	414,769	7.66
Wavell Investments Pvt Ltd	88,590	1.64	119,790	2.21
Barota Malhoutra	4,938	0.09	4,938	0.09
J. K. Malhoutra	100	0.00	100	0.00
Vita Pvt Ltd	100	0.00	100	0.00
Christine Hoden (I) Pvt Ltd	100	0.00	100	0.00
Primella Sanitary Products Pvt Ltd	100	0.00	100	0.00
<b>Total</b>	<b>2,957,057</b>	<b>54.61</b>	<b>2,905,722</b>	<b>53.66</b>
<b>NON-PROMOTER'S HOLDING</b>				
Institutional Investors	0	0.00	0	0.00
Mutual Funds	10,650	0.20	10,650	0.20
Banks, Financial Institutions, Insurance Companies	551	0.01	551	0.01
Foreign Institutional Investors	1,182,433	21.84	1,320,737	24.39
<b>Total</b>	<b>1,193,634</b>	<b>22.04</b>	<b>1,331,938</b>	<b>24.60</b>
<b>OTHERS</b>				
Private Corporate Bodies	120,082	2.22	120,544	2.23
Indian Public	1,116,900	20.63	1,023,560	18.90
NRIs/OCBs	22,549	0.42	28,414	0.50
Trust	3,850	0.07	3,878	0.07
Clearing Agents	631	0.01	647	0.01
<b>Total</b>	<b>1,264,012</b>	<b>23.35</b>	<b>1,177,043</b>	<b>21.74</b>
<b>Grand Total</b>	<b>5,414,703</b>	<b>100.00</b>	<b>5,414,703</b>	<b>100.00</b>

## Share market price data

The monthly high and low quotations and volume of shares traded on the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited for the year 2009-10

Month	BSE			NSE		
	High (Rs.)	Low (Rs.)	Volume of shares traded	High (Rs.)	Low (Rs.)	Volume of shares traded
April, 09	599.00	476.00	27,794	564.00	461.00	16,349
May, 09	922.90	513.90	31,422	915.00	510.00	7,451
June, 09	938.00	730.00	8,913	985.00	725.00	10,450
July, 09	1,135.00	809.00	22,579	1,110.00	775.00	11,466
August 09	1,255.00	1,079.15	47,420	1,250.00	1,062.00	54,124
September, 09	1,358.00	1,103.50	20,270	1,350.00	1,050.00	14,840
October, 09	1,200.00	978.30	13,141	1,199.90	1,005.05	4,439
November, 09	1,000.00	820.00	16,669	1,023.00	788.00	3,897
December, 09	1,067.90	811.00	126,888	1,085.00	877.00	88,543
January, 10	1,189.00	931.55	69,459	1,199.00	930.10	45,055
February, 10	1,235.00	1,055.00	41,313	1,240.00	1,055.00	28,265
March, 10	1,234.00	1,027.00	194,769	1,195.00	1,048.95	38,372

### Note

High and Low are in rupees per traded share, Volume is the total monthly shares traded.

## Status of Dematerialization of shares

Particulars	31 <sup>st</sup> March, 2010		31 <sup>st</sup> March, 2009	
	No. of Shares	% of Total Shares	No. of Shares	% of Total Shares
National Securities Depository Limited	3,298,690	60.92	2,729,913	50.42
Central Depository Services (I) Limited	128,782	2.38	104,833	1.94
<b>Total Dematerialized</b>	<b>3,427,472</b>	<b>63.30</b>	<b>2,834,746</b>	<b>52.36</b>
Physical	1,987,231	36.70	2,579,957	47.64
<b>Grand Total</b>	<b>5,414,703</b>	<b>100.00</b>	<b>5,414,703</b>	<b>100.00</b>

### INVESTOR GUIDE

#### Investor contacts

For queries relating to financial statements/ shares/dividends/ complaints/ Investor correspondence

G. Haritha  
GM Compliance & Company Secretary  
Tel. : +91 80 28394933/34/35 Extn. 248,  
Fax +91 80 2839 5328  
Email id: investor.relations@dynamics.net

**Registrar and Share Transfer Agents**  
Karvy Computershare Private Limited  
Plot No. 17-24, Vittal Rao Nagar, Madhapur  
Hyderabad -500 081  
Tel.: +91 40 2342 0815 -20  
Email: sanjayrao@karvy.com

#### Depository for Equity Shares

**National Securities Depository Limited**  
Trade World, A Wing, 4<sup>th</sup> Floor  
Kamala mills compound  
Senapathi Bapat Marg, Lower Parel  
Mumbai -400 051  
Tel.: +91 22 2499 4200

**Central Depository Services (India) Limited**  
Phiroze Jeejeebhoy Towers  
17<sup>th</sup> Floor  
Dalal Street, Fort  
Mumbai 400 023  
Tel.: +91 22 2272 3333

Shareholders holding shares in damat/electronic form are requested to approach their Depository participants for effecting following changes in your holdings in their records.

- Change of postal address
- Change of bank details for receiving dividends
- Incorporation of ECS for receiving dividends electronically
- Change in residential status
- Incorporation of PAN
- Incorporation of Nomination
- Transfer of shares or effecting transposition of names of shareholders.

Further, for any corporate actions like payment of dividends etc., the company will take your share holding details from your DP account through data downloaded from the Depositories i.e NSDL/CDSL.

#### Addresses of Stock Exchange/s

**Bombay Stock Exchange Limited (BSE)**  
Phiroze Jeejee Bhai Towers  
Dalal Street, Mumbai -400 001.

**National Stock Exchange of India Limited (NSE)**  
"Exchange Plaza"  
Bandra - Kurla Complex,  
Bandra East, Mumbai - 400 051

**BSE Code- 505242**

**NSE Code : DYNAMATECH**

*We are constantly in the process of enhancing our service levels to further improve the satisfaction levels based on the feedback received from shareholders time to time.*

#### NOTE:

*As usual, your Company will provide transport facility at 12.30 noon and 1.00 p.m. near Unity Buildings, J.C. Road, Bangalore to reach the AGM venue comfortably. After the meeting, shareholders will be dropped back at their pick up location. Those who wish to avail this facility are requested to get confirmation to this effect at the following telephone numbers:*

080 28394933/34/35 (Extn: 254) (Contact: Corporate Secretarial team)

You may send your request by email to : investor.relations@dynamics.net

**Your requests must reach us latest by September 15, 2010**

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## CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE

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### *V. Sreedharan & Associates*

Company Secretaries

Off : 080-2229 0394  
Res : 080-2659 3314  
Fax : 080-2211 6252  
E-mail : Sreedharan@vsnl.com  
Cell : 9845214399  
G N R Complex, 1st Floor,  
No.32/33, 8th Cross, Wilson Garden  
Bangalore-560027

### CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE

Corporate Identification Number : L85110KA1973PLC002308  
Nominal Capital : Rs. 25 Crores

To,

The members,  
Dynamatic Technologies Limited  
Dynamatic Park Peenya,  
Bangalore 560 058

We have examined all the relevant records of **DYNAMATIC TECHNOLOGIES LIMITED** for the purpose of certifying compliance of the conditions of Corporate Governance under Clause 49 of the Listing Agreement with the Mumbai Stock Exchange and the National Stock Exchange of India Limited for the financial year ended March 31, 2010. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of certification.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to the procedure and implementation thereof. This certificate is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

On the basis of our examination of the records produced, explanations and information furnished, we certify that the company has complied with

- a) All the mandatory conditions of the said Clause 49 of the Listing Agreement and
- b) Clause(2) of Non-Mandatory requirements referred to in Annexure ID to Clause 49 of the Listing Agreement relating to Remuneration Committee and Clause (7) of the Non-Mandatory requirement relating to Whistle Blower Policy.

Place : Bangalore  
Date : July 15, 2010

For **V. Sreedharan & Associates**



**V. Sreedharan**  
Partner  
F.C.S -2347 : C.P. No. 833







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## AUDITORS' REPORT

### TO THE MEMBERS OF DYNAMATIC TECHNOLOGIES LIMITED

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We have audited the attached balance sheet of Dynamatic Technologies Limited ("the Company") as at 31 March 2010, the profit and loss account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company'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.

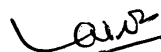
As required by the Companies (Auditor's Report) Order, 2003, as amended, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 ('the Act'), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

- (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 Company so far as appears from our examination of those books;
- (c) the balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
- (d) in our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
- (e) on the basis of written representations received from the directors, as at 31 March 2010 and taken on record by the Board of Directors, we report that none of the directors are disqualified as at 31 March 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act on the said date;
- (f) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Act 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 31 March 2010;
- (ii) in the case of the profit and loss account, of the profit of the Company for the year ended on that date; and
- (iii) in the case of the cash flow statement, of the cash flows of the Company for the year ended on that date.

for **B S R & Associates**  
Chartered Accountants  
Firm Registration number 116231W



**Rajesh Arora**  
Partner  
Membership No. 076124

Place : Bangalore  
Date : 22 July 2010

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#### ANNEXURE TO THE AUDITORS' REPORT

---

Annexure referred to in our report to the members of Dynamatic Technologies Limited ("the Company") for the year ended 31 March 2010. We report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were observed on such verification.
  - (c) Fixed assets disposed off during the year were not substantial, and therefore, do not affect the going concern assumption.
- (ii) (a) The inventory, except goods-in-transit and stock lying with third parties, has been physically verified by the Management during the year. In our opinion, the frequency of such verification is reasonable. For stocks lying with third parties at the year-end, written confirmations have been obtained.

- (b) The procedures for physical verification of inventories followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business
- (c) The Company is maintaining proper records of inventories. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) (a) The Company has granted unsecured loans to its subsidiary company covered in the register maintained under section 301 of the Companies Act, 1956 ('the Act'). The maximum amount outstanding during the year was Rs.122,533,218 and the year-end balance of such loan was Rs. 109,028,473. The Company has not granted any other secured or unsecured loans to companies/ firms/ other parties listed in the register maintained under section 301 of the Act.
- (b) In our opinion, the rate of interest and other terms and conditions on which the aforesaid loan has been granted to the subsidiary, is not, prima facie, prejudicial to the interest of the Company.
- (c) The aforesaid loan is repayable on demand. As informed, the Company has not demanded repayment of the loan during the year. The borrower has been regular in repayment of interest.
- (d) There is no overdue amount of more than Rupees one lakh in respect of aforesaid loan given to subsidiary company listed in the register maintained under section 301 of the Act.
- (e) As informed, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly, paragraph sub-clauses (f) and (g) of the Order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventories and fixed assets and with regard to the sale of goods and services. We have not observed any major weaknesses in the internal control system during the course of the audit.
- (v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section.
- (b) In our opinion, and according to the information and explanations given to us, the transactions made in pursuance of contracts and arrangements referred to in (a) above and exceeding the value of Rs 5 lakh with each party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) In our opinion, and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A, Section 58AA or other relevant provisions of the Companies Act, 1956 and the rules framed thereunder / the directives issued by the Reserve Bank of India (as applicable) with regard to deposits accepted from the public. Accordingly, there have been no proceedings before the Company Law Board or National Company Law Tribunal (as applicable) or Reserve Bank of India or any Court or any other Tribunal in this matter and no order has been passed by any of the aforesaid authorities.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules prescribed by the Central Government of India for maintenance of cost records under section 209(1) (d) of the Act in respect of products manufactured and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records.
- (ix) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth tax, Service tax, Customs duty, Excise duty and other material statutory dues have been generally regularly deposited during the year by the Company with the appropriate authorities, though there has been a slight delay in a few cases.
- There are no dues on account of Cess under section 441A of the Act since the date from which the aforesaid section comes into force has not yet been notified by the Central Government of India.
- According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Sales-tax, Service tax, Customs duty, Excise duty and other material statutory dues were in arrears as at 31 March 2010 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, there are no dues in respect of Income-tax, Sales-tax, Service tax, Customs duty



and Excise duty which have not been deposited on account of any dispute.

- (x) The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its bankers or to any financial institutions. The Company did not have any outstanding debentures during the year.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund / nidhi/ mutual benefit fund/ society.
- (xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- (xv) In our opinion and according to the information and explanations given to us, the terms and conditions on which the Company has given guarantees for loans taken by others from banks or financial institutions are not prejudicial to the interest of the company.
- (xvi) In our opinion and according to the information and explanations given to us, the term loans taken by the Company have been applied for the purpose for which they were raised.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we are of the opinion that the funds raised on short-term basis have not been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to companies/ firms/ parties covered in the register maintained under Section 301 of the Act.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money by public issues.
- (xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

*for* **B S R & Associates**  
*Chartered Accountants*  
Firm Registration number 116231W



**Rajesh Arora**  
*Partner*  
Membership No. 076124

Bangalore  
Date: 22 July 2010

## BALANCE SHEET AS AT MARCH 31, 2010

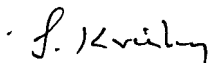
		(Rs in '000)	
		As at 31 March 2010	As at 31 March 2009
<b>SOURCES OF FUNDS</b>	<b>Schedule</b>		
<b>Shareholders' funds</b>			
Share capital	2	54,147	54,147
Reserves and surplus	3	1,406,538	1,294,737
<b>Loan funds</b>			
Secured loans	4	1,737,888	1,868,284
Unsecured loans	5	119,232	182,066
Deferred tax liability, net	20(6)	230,901	209,775
		<b>3,548,706</b>	<b>3,609,009</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed assets</b>			
Gross block	6	3,245,297	2,875,449
Less: Accumulated depreciation		1,062,007	873,512
Net block		2,183,290	2,001,937
Capital work-in-progress		84,382	301,642
		2,267,672	2,303,579
<b>Investments</b>	7	509,857	509,857
<b>Current assets, loans and advances</b>			
Inventories	8	425,880	374,522
Sundry debtors	9	664,174	724,314
Cash and bank balances	10	52,594	72,985
Other current assets	11	37,857	28,935
Loans and advances	12	324,736	337,293
		1,505,241	1,538,049
<b>Current liabilities and provisions</b>			
Current liabilities	13	698,769	700,560
Provisions	14	35,295	41,916
		734,064	742,476
<b>Net current assets</b>		771,177	795,573
		<b>3,548,706</b>	<b>3,609,009</b>
<b>Significant accounting policies</b>	1		
<b>Notes to the accounts</b>	20		

The schedules referred to above form an integral part of the balance sheet.

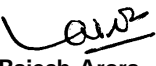
As per our report attached  
**for B S R & Associates**  
Chartered Accountants  
Firm Registration  
number: 116231W

for and on behalf of the Board of Directors

  
**Dr. K APRAMEYAN**  
Director

  
**Air Chief Marshal  
S. KRISHNASWAMY (Retd.)**  
Director

  
**S GOVINDARAJAN**  
Director

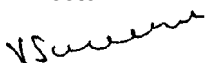
  
**Rajesh Arora**  
Partner  
Membership number 076124

  
**GOVIND MIRCHANDANI**  
Director

  
**MALAVIKA JAYARAM**  
Director

  
**N RAJAGOPAL**  
Executive Director and CTO

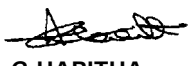
  
**B SESHNATH**  
Executive Director and CMO

  
**V SUNDER**  
President and Group CFO

  
**UDAYANT MALHOUTRA**  
CEO and Managing Director

Place : Bangalore  
Date : 22 July 2010

  
**N RAM MOHAN**  
Financial Controller

  
**G HARITHA**  
GM- Compliance & Company Secretary

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

(Rs in '000)

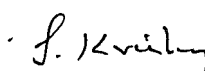
	Schedule	For the year ended 31 March 2010	For the year ended 31 March 2009
<b>Income</b>			
Sale of manufactured products		3,060,557	3,234,764
Less: Excise duty		229,534	378,260
Sale of manufactured products, net		2,831,023	2,856,504
Income from project execution services		142,379	100,769
Service income		3,825	6,474
Other income	15	49,751	76,122
		<b>3,026,978</b>	<b>3,039,869</b>
<b>Expenditure</b>			
Cost of materials consumed	16	1,639,690	1,690,887
Personnel expenses	17	404,034	379,800
Other operating expenses	18	443,908	507,907
		<b>2,487,632</b>	<b>2,578,594</b>
<b>Operating profit before depreciation, interest and tax (EBITDA)</b>		<b>539,346</b>	<b>461,275</b>
Depreciation (net of revaluation reserve adjustment)	6	185,663	172,120
Interest and finance charges	19	214,265	177,043
<b>Profit before taxation</b>		<b>139,418</b>	<b>112,112</b>
Provision for tax			
- current tax		21,817	5,645
- minimum alternate tax credit entitlement		(11,928)	(12,145)
- deferred tax charge		21,126	64,688
- fringe benefit tax		-	4,925
- wealth tax		229	297
<b>Profit after tax</b>		<b>108,174</b>	<b>48,702</b>
Balance brought forward from previous year		282,638	264,146
<b>Amount available for appropriation</b>		<b>390,812</b>	<b>312,848</b>
<b>Appropriations</b>			
- Interim dividend		24,366	13,537
- Proposed dividend		16,244	8,122
- Tax on dividend		6,901	3,681
Transferred to general reserve		10,818	4,870
Balance carried forward		<b>332,483</b>	<b>282,638</b>
		<b>390,812</b>	<b>312,848</b>
Earnings per share - basic and diluted (Equity share par value Rs.10 each)		<b>19.98</b>	<b>9.37</b>
Significant accounting policies	1		
Notes to the financial statements	20		

The schedules referred to above form an integral part of the Profit and Loss account.


As per our report attached  
**for B S R & Associates**  
Chartered Accountants  
Firm Registration  
number: 116231W

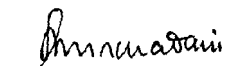
for and on behalf of the Board of Directors

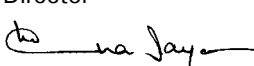
  
**Dr. K APRAMEYAN**  
Director

  
**S. KRISHNASWAMY (Retd.)**  
Director

  
**S GOVINDARAJAN**  
Director

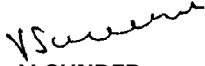
  
**Rajesh Arora**  
Partner  
Membership number 076124

  
**GOVIND MIRCHANDANI**  
Director

  
**MALAVIKA JAYARAM**  
Director

  
**N RAJAGOPAL**  
Executive Director and CTO

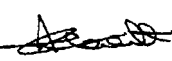
  
**B SESHNATH**  
Executive Director and CMO

  
**V SUNDER**  
President and Group CFO

  
**UDAYANT MALHOUTRA**  
CEO and Managing Director

Place : Bangalore  
Date : 22 July 2010

  
**N RAM MOHAN**  
Financial Controller

  
**G HARITHA**  
GM- Compliance & Company Secretary

## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2010

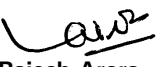
		(Rs in '000)
	31 March 2010	31 March 2009
<b>A Cash flow from operating activities:</b>		
Profit before tax	139,418	112,112
Adjustments for:		
Depreciation	185,663	172,120
Interest expense	214,265	152,319
Interest income	(10,894)	(13,708)
Loss on sale of fixed assets	1,002	279
Debts / advances written off	1,223	22
Provision for bad and doubtful debts/ advances	6,506	2,999
Liability no longer required written back	-	(554)
Unrealised foreign exchange (gain) /loss	(36,546)	22,955
Warranty provision written back	-	(52)
<b>Operating cash flow before working capital changes</b>	<b>500,637</b>	<b>448,492</b>
<b>Adjustments for changes in working capital :</b>		
- (Increase) / decrease in sundry debtors	52,412	(95,767)
- (Increase) in other receivables	(7,680)	(76,099)
- (Increase) in inventories	(51,359)	(63,658)
- Increase / (decrease) in trade and other payables	49,745	(87,483)
- (Decrease) / increase in provisions	(215)	8,828
Adjustment for unrealised foreign exchange (loss)	36,546	(22,955)
<b>Cash generated from operating activities</b>	<b>580,086</b>	<b>111,358</b>
- Income tax paid	(19,613)	(25,206)
- Fringe benefit tax paid	-	(7,325)
<b>Net cash from operating activities</b>	<b>560,473</b>	<b>78,827</b>
<b>B Cash flow from investing activities:</b>		
Purchase of fixed assets	(182,993)	(477,463)
Proceeds from sale of fixed assets	2,021	3,918
Purchase of investments	-	(408,469)
Loans to subsidiary company	13,505	(4,898)
Interest received	18,504	8,018
Acquisition of business division	-	(320,813)
<b>Net cash used in investing activities</b>	<b>(148,963)</b>	<b>(1,199,707)</b>

(Rs in '000)

	31 March 2010	31 March 2009
<b>C Cash flow from financing activities:</b>		
Proceeds from borrowings	155,587	870,631
Proceeds from Issue of shares [net of related share issue expenses Rs.Nil (Previous year: Rs.8,759)]	-	736,577
Repayment of borrowings	(259,497)	(212,380)
Repayment of Inter corporate deposits (net)	-	(5,000)
Proceeds from public deposits (net)	12,345	(592)
Proceeds from cash credits/ working capital loans (net)	6,420	(86,392)
Proceeds from buyer's credit (net)	(74,800)	11,477
Interest paid	(218,661)	(145,960)
Dividend paid	(45,473)	(23,980)
Dividend tax paid	(7,822)	(3,407)
<b>Net cash used in financing activities</b>	<b>(431,901)</b>	<b>1,140,974</b>
<b>Net Increase/(decrease) in cash and cash equivalents</b>	<b>(20,391)</b>	<b>20,094</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>72,985</b>	<b>52,891</b>
<b>Cash and cash equivalents at the end of the year*</b>	<b>52,594</b>	<b>72,985</b>
	<b>(20,391)</b>	<b>20,094</b>

\* includes restricted term deposits Rs.27,684 (Previous year Rs.18,790)

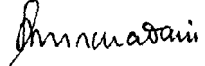
As per our report attached  
for **B S R & Associates**  
Chartered Accountants  
Firm Registration  
number: 116231W

  
**Rajesh Arora**  
Partner  
Membership number 076124

Place : Bangalore  
Date : 22 July 2010

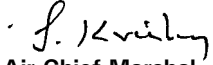
for and on behalf of the Board of Directors

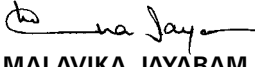
  
**Dr. K APRAMEYAN**  
Director

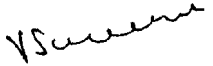
  
**GOVIND MIRCHANDANI**  
Director

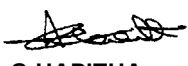
  
**B SESHNATH**  
Executive Director and CMO

  
**N RAM MOHAN**  
Financial Controller

  
**Air Chief Marshal**  
**S. KRISHNASWAMY (Retd.)**  
Director

  
**MALAVIKA JAYARAM**  
Director

  
**V SUNDER**  
President and Group CFO

  
**G HARITHA**  
GM- Compliance & Company Secretary

  
**S GOVINDARAJAN**  
Director

  
**N RAJAGOPAL**  
Executive Director and CTO

  
**UDAYANT MALHOUTRA**  
CEO and Managing Director

## SCHEDULES TO THE ACCOUNTS

### SCHEDULE 1 - SIGNIFICANT ACCOUNTING POLICIES

#### a. Background

DYNAMATIC TECHNOLOGIES LIMITED ("the Company") was incorporated in 1973 as Dynamatic Hydraulics Limited under provisions of the Companies Act, 1956 ('the Act'). In 1992 the name of the Company was changed to Dynamatic Technologies Limited. The Company is in the business of manufacturing automotive components, hydraulics gear pumps, aerospace components and wind farm power generation. The Company is listed in India with National Stock Exchange and Bombay Stock Exchange.

#### b. Basis of accounting and preparation of financial statements

The financial statements are prepared in accordance with the Indian Generally Accepted Accounting Principles ('GAAP') under the historical cost convention on the accrual basis. GAAP comprises mandatory accounting standards as specified in the Companies (Accounting Standards) Rules, 2006, ('the Rules') and the relevant provisions of the Act to the extent applicable. The accounting policies have been consistently applied by the Company. The financial statements are presented in Indian rupees thousands.

#### c. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles in India (Indian GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses, during the reporting year. Examples of such estimates include estimates of provision for warranty, provision for doubtful debts and the useful life of fixed assets. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

#### d. Fixed assets and depreciation

Fixed assets are stated at the cost of acquisition or construction, less accumulated depreciation. All costs incurred in bringing the assets to its working condition for intended use have been capitalised.

Advances paid towards the acquisition of fixed assets and the cost of assets not put to use as at the balance sheet date are disclosed under capital work-in-progress.

Depreciation on fixed assets is provided using the straight-line method. The rates of depreciation

prescribed in Schedule XIV to the Act are considered as minimum rates. If the management's estimate of the useful life of a fixed asset at the time of the acquisition of the asset or of the remaining useful life on a subsequent review is shorter than envisaged in the aforesaid schedule, depreciation is provided at a higher rate based on the management's estimate of the useful life/remaining useful life. Pursuant to this policy, depreciation on the following fixed assets has been provided at the following rates (straight line method), which are higher than the corresponding rates prescribed in Schedule XIV:

	Rate per annum
Data processing equipment	25%
Furniture and fixtures	10%
Office equipment	
- Mobile phones	50%
- Others	20%
Plant and machinery (wind farm)	10.34%

Pro-rata depreciation is provided from the date of purchase / disposal on assets purchased or sold during the year. Assets individually costing Rs. 5,000 or less are fully depreciated in the year of purchase.

Certain land, building, plant and machineries, and electrical installations are stated at revalued amount based on valuations done by an external expert in the year 1991-92. Additional depreciation due to revaluation is adjusted out of revaluation reserve

#### e. Intangibles and amortization

Research costs are expensed as incurred. Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured.

Subsequent expenditure incurred on a recognized intangible asset is added to the cost of intangible asset when it is probable that the expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and the expenditure can be measured and attributed to the asset reliably.

Amortization is provided on a pro-rata basis on straight-line method over the estimated useful lives of the assets, not exceeding ten years as detailed below:

Application software	4 years
Prototype / Product development	8-10 years

The carrying value of development costs is reviewed for impairment annually when the asset is not in use and otherwise when events or changes in circumstances indicate that the carrying value may not be recoverable

**f. Inventories**

Inventories are valued at lower of cost or net realizable value. Consumable stores and spares used for maintenance are debited to the profit and loss account upon issuance.

The cost determined on first-in-first-out (FIFO) basis, comprises costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The comparison of cost and net realisable value is made on an item-by-item basis.

Raw materials and other supplies held for use in production of inventories are not written down below cost except where material prices have declined, and it is estimated that the cost of finished products will exceed their net realisable value.

Provision for inventory obsolescence is provided as considered necessary.

**g. Employee benefits**

Gratuity liability is a defined benefit scheme and is accrued based on an actuarial valuation at the balance sheet date, carried out by an independent actuary. The Company's gratuity scheme is administered by Life Insurance Corporation of India. Actuarial gains/losses are charged to the Profit and Loss Account.

Compensated absence is a long term employee benefit and is accrued based on an actuarial valuation at the balance sheet date, carried out by an independent actuary.

Contributions to provident fund, which is a defined contribution scheme, are provided at pre-determined rates to the appropriate authorities.

**h. Revenue recognition**

Revenue from sale of products is recognized when the risks and rewards of ownership are transferred to customers, which generally coincides with delivery to the customers. The amount recognized as sales is exclusive of excise duty, sales tax, trade and quantity discounts. Revenue from sale of products has been presented both gross and net of excise duty.

Service income is recognized when an unconditional right to receive such income is established.

Revenue from project execution services are recognized on rendering of services in accordance with the terms of the arrangement with customers using proportionate completion method.

Unbilled revenues included in other current assets represent cost and earnings in excess of billings as at the balance sheet date. Unearned revenues included

in current liabilities represent billings in excess of earnings as at the balance sheet date.

Interest on deployment of funds is recognized using the time proportion method, based on the underlying interest rates.

**i. Foreign currency transactions and balances**

Transactions in foreign currency are recognized at the rate of exchange prevailing on the date of the transaction.

All monetary assets and liabilities denominated in foreign currency are restated at the rates ruling at the year end and the exchange gains/losses arising there from are adjusted to the Profit and Loss Account, except in case of exchange differences relating to long-term monetary items which are dealt with in the following manner:

- (i) In so far as they relate to the acquisition of a depreciable capital asset are added to / deducted from the cost of the asset and depreciated over the balance life of the asset
- (ii) In other cases, such exchange differences are accumulated in a "Foreign Currency Monetary Item Translation Difference Account" and amortized over the balance term of the long-term monetary items but not beyond 31 March 2011.

**j. Derivatives**

In accordance with its Risk management policies and procedures, the company uses derivative instruments such as foreign currency forward contracts and currency options to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and highly probable forecasted transactions.

Effective 1 April 2008, the Company has applied the principles of AS 30 'Financial Instruments: Recognition and Measurement', to the extent that the application of the principles did not conflict with existing accounting standards and other authoritative pronouncements of the Company Law Board and other regulatory requirements. The derivatives that qualify for hedge accounting and designated as cash flow hedges are initially measured at fair value and are re-measured at a subsequent reporting date and the changes in the fair value of the derivatives i.e. gain or loss is recognized directly in shareholders' funds under hedging reserve to the extent considered highly effective. Gain or loss upon fair value on derivative instruments that either do not qualify for hedge accounting or are not designated as cash flow hedges or designated as cash flow hedges to the extent considered ineffective, are recognized in the Profit and Loss Account.

To designate a forward or option contracts as an effective hedge, the management objectively

evaluates and evidences with appropriate supporting documents at the inception of each contract whether the contract is effective in achieving offsetting cash flows attributable to the hedged risk.

Hedge accounting is discontinued when the hedging instrument expires, sold, terminated, or exercised, or no longer qualifies for hedge accounting. The cumulative gain or loss on the hedging instrument recognized in shareholder's funds under hedging reserve is retained there until the forecasted transaction occurs subsequent to which the same is adjusted against the related transaction in Profit and Loss Account. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in shareholder's fund is transferred to Profit and Loss Account in the same period.

**k Warranty**

Warranty costs are estimated by the management on the basis of technical evaluation and past experience. The Company accrues the estimated cost of warranty at the time when the revenue is recognised.

**l. Borrowing costs**

Borrowing costs directly attributable to acquisition or construction of those fixed assets, which necessarily take a substantial period of time to get ready for their intended use, are capitalized. Other borrowing costs are accounted as an expense.

**m Investments**

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value, if any, is made to recognize a decline other than temporary in the value of the investments.

**n Provisions and contingencies**

The Company recognizes a provision when there is a present obligation as a result of past (or obligating) event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions for onerous contracts, i.e. contracts where the expected unavoidable costs of meeting the obligations

under the contract exceed the economic benefits expected to be received under it, are recognized when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of an obligating event, based on a reliable estimate of such obligation.

**o Impairment of assets**

The Company periodically assesses whether there is any indication that an asset or a group of assets comprising a cash generating unit may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. For an asset or group of assets that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the profit and loss account. If at the balance sheet date, there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost. An impairment loss is reversed only to the extent that the carrying amount of asset does not exceed the net book value that would have been determined; if no impairment loss had been recognised.

**p Leases**

Leases under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets acquired on or after 1<sup>st</sup> April, 2001 are capitalised at fair value of the asset or present value of the minimum lease payments at the inception of the lease, whichever is lower.

For operating leases, lease payments (excluding cost for services, such as maintenance) are recognised as an expense in the statement of profit and loss on a straight line basis over the lease term. The lease term is the non- cancellable period for which the lessee has agreed to take on lease the asset together with any further periods for which the lessee has the option to continue the lease of the asset, with or without further payment, which option at the inception of the lease it is reasonably certain that the lessee will exercise.

**q. Income tax**

Income tax expense comprises current tax (i.e. amount of tax for the year determined in accordance with the income tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period). The deferred tax charge or credit and



the corresponding deferred tax liabilities or assets are recognized using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax asset / liability as at the balance sheet date resulting from timing differences between book profit and tax profit are not considered to the extent that such asset / liability is expected to get reversed in the future years within the tax holiday period. Deferred tax assets are recognized only to the extent that there is reasonable certainty that the assets can be realized in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognized only if there is virtual certainty of realization of such assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realized.

The Company offsets, on a year on year basis, the current tax assets and liabilities where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

**r. Fringe benefit tax**

Fringe benefit tax is determined at current applicable rates on expenses falling within the ambit of 'Fringe Benefit' as defined under the Income Tax Act, 1961. The same has been abolished with effect from April 1, 2009.

**s. Earnings per share**

The basic earnings / (loss) per share is computed by dividing the net profit / (loss) attributable to equity shareholders for the year by the weighted average number of equity shares outstanding during the year. The Company did not have any potentially dilutive equity shares during the year.

**t. Government grants and subsidies**

Grants and subsidies from the Government are recognized when there is reasonable assurance that the grant / subsidy will be received and all attaching conditions will be complied with.

The grant or subsidy relating to an asset is reduced from the cost of the asset. The grant or subsidy not specifically attached to a specific fixed asset is credited to Capital Reserve and is retained till the attached conditions are fulfilled.

**u. Cash flow statement**

Cash flows are reported using indirect method, whereby net profits before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, investing and financing activities of the Company are segregated.

		(Rs in '000)	
		As at 31 March 2010	As at 31 March 2009
<b>2</b>	<b>Share capital</b>		
	<b>Authorised:</b>		
	20,000,000 (Previous year: 20,000,000) equity shares of Rs.10 each	<b>200,000</b>	200,000
	500,000 (Previous year: 500,000) redeemable cumulative preference shares of Rs.100 each	<u>50,000</u>	<u>50,000</u>
		<b>250,000</b>	<b>250,000</b>
	<b>Issued, subscribed and paid-up:</b>		
	5,414,703* (Previous year: 5,414,703) equity shares of Rs.10 each fully paid up	<u>54,147</u>	<u>54,147</u>
		<b>54,147</b>	<b>54,147</b>
	* Includes		
	(i) 1,048,390 (Previous year:1,048,390) shares allotted by way of bonus shares by capitalisation out of securities premium and capital redemption reserve.		
	(ii) 617,143 (Previous year: 617,143) shares allotted as fully paid up pursuant to the merger with JKM Daerim Automotive Limited without payment being received in cash.		

(Rs in '000)

	As at 31 March 2010	As at 31 March 2009
<b>3 Reserves and surplus</b>		
Capital reserve	1,500	1,500
Capital redemption reserve	24,000	24,000
Reserve on amalgamation	15,429	15,429
Securities premium account:		
Balance at the beginning of the year	731,137	600
Add : Received during the year	-	739,296
Less : Utilisation during the year	- 731,137	(8,759)
	<u>17,081</u>	<u>17,423</u>
Revaluation reserve:		
Balance at the beginning of the year	17,081	17,423
(Less): Additional depreciation charge on revalued fixed assets	(342)	(342)
	<u>16,739</u>	<u>17,081</u>
Hedge reserve (Refer to note 24 of schedule 20)		
Balance at the beginning of the year	(63,544)	-
(Additions)/deductions during the year	51,480	(63,544)
	<u>(12,064)</u>	<u>(63,544)</u>
General reserve:		
Balance at the beginning of the year	286,496	287,896
(Less): Adjustment on account of adoption of amendment to Accounting Standard 11	-	(6,270)
Add: Transferred from Profit and Loss account	10,818	4,870
	<u>297,314</u>	<u>286,496</u>
Profit and Loss account	332,483	282,638
	<u>1,406,538</u>	<u>1,294,737</u>
<b>4 Secured loans</b>		
From banks		
Rupee term loan *	676,476	649,659
Foreign currency term loan *	600,380	757,478
Cash credit and working capital loan #	451,862	445,442
Vehicle loan^	7,164	-
From others #		
Rupee term loan	-	2,110
Vehicle loan^	2,006	10,556
Interest accrued and due	-	3,039
	<u>1,737,888</u>	<u>1,868,284</u>
* Secured, ranking pari passu among the lenders, by way of first charge on fixed assets and second charge on current assets		
# Secured, ranking pari passu among the lenders, by way of first charge on current assets and second charge on fixed assets		
^ Secured against vehicles purchased from such loans		
<b>5 Unsecured loans</b>		
Public deposits	29,521	17,176
[Repayable within one year Rs.14,442 (Previous year: Rs.11,111)]		
Foreign currency buyer's credit	45,253	120,053
[Repayable within one year Rs.45,253 (Previous year: Rs.120,053)]		
Short term loans-others		
- Inter corporate deposits	50	50
Sales tax deferral	44,408	44,408
[Repayable within one year Rs.3,690 (Previous year: Rs. Nil)]		
Interest accrued and due	-	379
	<u>119,232</u>	<u>182,066</u>

## 6. FIXED ASSETS

(Rs in '000)

	GROSS BLOCK			ACCUMULATED DEPRECIATION				NET BLOCK	
	As at 1 April 2009	Additions*	Deletions/ adjustments	As at 31 March 2010	As at 1 April 2009	Charge for the year	Deletions/ adjustments	As at 31 March 2010	As at 31 March 2009
<b>Tangible assets</b>									
Land and development (note 1 and 2)	200,990	-	-	200,990	-	-	-	-	200,990
Buildings (note 1)	399,656	113,390	44	513,002	47,691	14,349	6	62,034	450,968
Plant and machinery (note 3)	1,899,758	149,111	-	2,048,869	670,779	138,103	-	808,882	1,239,987
Measuring instruments	21,111	593	3	21,701	10,325	747	3	11,069	10,786
Electrical installations (note 1)	67,850	5,958	-	73,808	13,500	3,198	-	16,698	54,350
Data processing equipment	62,804	3,561	65	66,300	41,619	8,315	12	49,922	21,185
Office equipment	20,236	1,250	22	21,464	12,974	2,065	12	15,027	7,262
Furniture and fixtures	26,095	2,189	-	28,284	12,692	2,047	-	14,739	13,403
Tools, dies and moulds	68,714	33,902	-	102,616	24,901	7,907	-	32,808	43,813
Vehicles	52,919	8,041	4,655	56,305	13,930	5,214	1,733	17,411	38,894
<b>Intangible assets</b>									
Application software	35,851	526	-	36,377	23,155	3,739	-	26,894	12,696
Prototype development	19,465	56,116	-	75,581	1,946	4,577	-	6,523	69,058
	<b>2,875,449</b>	<b>374,637</b>	<b>4,789</b>	<b>3,245,297</b>	<b>873,512</b>	<b>190,261</b>	<b>1,766</b>	<b>1,062,007</b>	<b>2,183,290</b>
Previous year	2,477,121	408,160	9,832	2,875,449	703,393	175,694	5,575	873,512	2,001,937

### Notes:

1. Net block of land and development, buildings and electrical installations includes value added on revaluation Rs.16,838 (previous year Rs. 17,180).
2. Land and development includes leasehold land Rs.11,134 (previous year Rs.11,134)
3. Book value of plant and machinery is net of subsidy received from the Tamil Nadu Industrial Investment Corporation Limited Rs. 1,877 (previous year Rs.1,877)

### 4. Depreciation for the year is reflected as follows:

Depreciation as per Profit and Loss account	185,663
Transfer from Revaluation reserve	342
Depreciation capitalised for intangible assets(including CWIP thereof)	4,256
	<u>190,261</u>

\* Includes administrative expenses aggregating Rs.27,855 incurred during the current year to make the asset ready to use, and has been accordingly capitalised.

\* Includes Rs.35,713 (previous year Rs.82.529) pertaining to loss on foreign currency loans, capitalised as per Notification no.GSR 225(E) dated 31 March 2009 issued by Ministry of Corporate Affairs.

	As at 31 March 2010	(Rs in '000) As at 31 March 2009
<b>7 Investments-in shares</b>		
<b>Long term-other than trade (at cost)</b>		
<i>Subsidiaries - unquoted</i>		
3,599,930 (Previous year: 3,599,930) equity shares of Rs.10 each fully paid up of JKM Research Farm Limited	35,999	35,999
14,571,451* (Previous year: 14,571,451) equity shares of Singapore \$ 1 each fully paid up of JKM Global Pte Limited, Singapore	473,858	473,858
<i>Others-unquoted</i>		
921,530 (Previous year: 921,530) equity shares of Rs.10 each fully paid up of Murablack (India) Ltd.	9,215	9,215
	<u>519,072</u>	<u>519,072</u>
Less: Provision for diminution in value of investments	9,215	9,215
	<u>509,857</u>	<u>509,857</u>
Notes:		
* Shares pledged with State Bank of India, London and Punjab National Bank (International) Limited, London, for availing loan facilities by JKM Global Pte Limited, a subsidiary and DM 38 Limited, a subsidiary company		
<b>8 Inventories</b>		
Raw materials and components *	196,066	148,661
Stores and spares	48,609	48,406
Work-in-progress #	104,095	91,544
Finished goods	77,110	85,911
	<u>425,880</u>	<u>374,522</u>
Notes:		
* Includes material in transit Rs.8,586 (Previous year: Rs.Nil) and lying with third parties Rs.41,752 (Previous year: Rs.28,408)		
# Includes lying with third parties Rs.7,289 (Previous year: Rs.5,095) and in transit Rs.Nil (Previous year: Rs.1,325)		
<b>9 Sundry debtors</b>		
<i>Unsecured</i>		
Debts outstanding for a period exceeding six months		
Considered good	115,269	102,534
Considered doubtful	21,959	15,453
Other debts		
Considered good*	548,905	621,780
	<u>686,133</u>	<u>739,767</u>
Less: Provision for doubtful debts	21,959	15,453
	<u>664,174</u>	<u>724,314</u>
* Includes Rs 5,113 ( Previous year Rs 3,579) due from Dynamatic Limited, UK. This company is under the same management within the meaning of section 370(1-B) of Companies Act, 1956		

(Rs in '000)

	As at 31 March 2010	As at 31 March 2009
<b>10 Cash and bank balances</b>		
Cash on hand	399	605
Balance with scheduled banks:		
Current accounts	24,511	53,590
Fixed deposits#	2,499	2,313
Margin money accounts*	23,082	14,927
Unpaid dividend accounts	2,103	1,550
	<u>52,594</u>	<u>72,985</u>
* Under lien against bank guarantees		
# Held under section 3A of Companies (Acceptance of deposits) Rules, 1975, under Companies Act, 1956.		
<b>11 Other current assets</b>		
Unbilled revenues	37,857	28,935
	<u>37,857</u>	<u>28,935</u>
<b>12 Loans and advances</b>		
<i>(Unsecured, considered good except as otherwise stated)</i>		
Advances recoverable in cash or in kind or for value to be received*	73,415	64,505
Balance with customs, excise and sales tax authorities	52,139	65,851
Loan to subsidiary company*	109,028	122,533
Other deposits	31,756	24,788
Interest accrued*	3,576	11,186
Prepaid expenses	14,963	9,888
Forward contract receivable	-	8,110
Minimum alternative tax credit entitlement	24,072	12,145
Current tax (net of provision)	13,229	16,165
Fringe benefit tax (net of provision)	2,558	2,122
	<u>324,736</u>	<u>337,293</u>
<i>(Unsecured, considered doubtful)</i>		
Advances recoverable in cash or in kind or for value to be received	953	953
Less: Provision for doubtful advances	953	953
	<u>324,736</u>	<u>337,293</u>
Note:		
* Due from companies under the same management within the meaning of section 370(1-B) of Companies Act, 1956 (Refer to note 26 of schedule 20)		
<b>13 Current liabilities</b>		
Acceptances	264,743	342,064
Sundry Creditors:		
-total outstanding dues to creditors other than micro and small enterprises	354,510	236,133
Advance from customers	8,051	5,082
Accrued salaries and benefits	27,192	18,468
Deposits received from dealers	3,625	3,475
Forward contract liability (refer to note 24 of schedule 20)	17,558	73,384
Interest accrued but not due	7,041	8,021
Unclaimed dividends	2,103	1,550
Other liabilities	13,946	12,383
	<u>698,769</u>	<u>700,560</u>

(Rs in '000)

	As at 31 March 2010	As at 31 March 2009
<b>14 Provisions</b>		
Wealth tax	212	282
Gratuity	1,452	4,309
Compensated absences	9,954	9,612
Warranty	4,672	2,373
Interim dividend (including tax thereon Rs.nil (Previous year: Rs.2,301)	-	15,838
Proposed final dividend (including tax thereon Rs 2,761 (Previous year: Rs.1,380)	19,005	9,502
	<u>35,295</u>	<u>41,916</u>
	For the year ended 31 March 2010	For the year ended 31 March 2009
<b>15 Other income</b>		
Interest on bank deposits (tax deducted at source Rs.59 Previous year: Rs.550)	1,922	3,406
Interest on loan to subsidiary/ related entities	7,963	8,704
Interest others	1,009	1,598
Lease rent	683	683
Sale of scrap (net of excise duty Rs.3,117 Previous year: Rs.6,839)	36,637	50,836
Miscellaneous income	1,537	10,895
	<u>49,751</u>	<u>76,122</u>
<b>16 Cost of materials consumed</b>		
Raw materials and components consumed	1,644,343	1,712,853
(Increase) in work in progress	(12,551)	(12,305)
(Increase)/decrease in finished goods	8,801	(4,986)
(Increase) in excise duty	(903)	(4,675)
	<u>1,639,690</u>	<u>1,690,887</u>
<b>17 Personnel expenses</b>		
Salaries, wages and bonus expenses	336,474	318,190
Contribution to provident and other funds	24,055	23,565
Staff welfare	43,505	38,045
	<u>404,034</u>	<u>379,800</u>
<b>18 Other operating expenses</b>		
Consumption of stores and spares	129,624	123,020
Power and fuel	51,022	100,958
Carriage outward	23,559	29,453
Packing expenses (net)	3,251	1,139
Rent	18,829	13,713
Rates and taxes	12,458	5,409
Insurance	6,845	6,800
Repairs and maintenance		
- Plant and machinery	15,824	15,644
- Buildings	1,275	1,666
- Others	35,939	30,542
Security charges	5,791	5,175
Advertisement and sales promotion	3,102	5,170
Cash discount	3,828	6,848
Travelling and conveyance	45,113	45,538
Communication	7,673	9,119
Printing and stationery	4,499	5,052
Legal and professional fees	27,788	25,709
Directors sitting fees	1,230	795
Exchange loss (net)	15,913	57,034
Donations	328	5
Bad debts/ advances written off	1,223	22
Provision for bad and doubtful debts/ advances	6,506	2,999
Loss on sale of fixed assets	1,002	279
Warranty	8,827	-
Miscellaneous	12,459	15,818
	<u>443,908</u>	<u>507,907</u>

(Rs in '000)

	For the year ended 31 March 2010	For the year ended 31 March 2009
<b>19 Interest and finance charges</b>		
On term loans	138,223	89,480
On cash credit	74,970	76,046
Bank charges	15,659	22,044
	<u>228,852</u>	<u>187,570</u>
Less : Interest capitalised as per Accounting Standard 16	14,587	10,527
	<u>214,265</u>	<u>177,043</u>

**20. Notes to the accounts****1. Capital commitment**

Particulars	As at 31 March 2010	As at 31 March 2009
Estimated amount of contracts to be executed on capital account (net of advances) and not provided for	104,627	65,286

**2. Contingent liabilities**

The details of contingent liabilities are as under:

Export obligation	29,296	43,794
Corporate guarantee	741,946	813,858
Income tax matter under dispute	-	1,519

For the year ended  
31 March 2010

For the year ended  
31 March 2009

**3. Particulars of managerial remuneration**

Salaries and allowances (including bonus)	9,040	7,507
Contribution to provident fund	676	600
Perquisites	564	1,125
<b>Total</b>	<u>10,280</u>	<u>9,232</u>

The remuneration does not include gratuity and compensated absences as the same has been provided, based on the actuarial valuation, determined for the Company as a whole.

For the year ended  
31 March 2010

For the year ended  
31 March 2009\*\*

**4. Auditors' remuneration (included in legal and professional charges)**

Statutory audit fees* (includes limited review)	3,700	5,200
Other services	475	2,500
Out-of-pocket expenses	169	129
<b>Total</b>	<u>4,344</u>	<u>7,829</u>

(The above amount is excluding service tax)

\*Includes Rs Nil (previous year: 800) paid for previous year.

\*\* Amount paid to previous auditor.

## 5. Lease transactions

- a) The Company is obligated under cancelable operating leases for office, residential facilities and vehicles. Lease rental expense under operating leases during the year was Rs 18,829 (previous year Rs 13,713).
- b) The Company has entered into operating leases for machines. Lease rental income under operating lease during the period was Rs 683 (Previous year Rs 683). The gross carrying amount, accumulated depreciation and the depreciation charge for the year ended 31 March 2010 and 31 March 2009 for the machinery leased by the Company are as set below:

(Rs in '000)

Particulars	As at 31 March 2010	As at 31 March 2009
Gross block	21,333	21,333
Accumulated depreciation	18,114	17,547
Depreciation for the year	567	683

## 6. Deferred taxation

Deferred tax liability included in the balance sheet comprises the following: (Rs in '000)

Particulars	As at 31 March 2010	As at 31 March 2009
<b>Deferred tax liability:</b>		
Excess of depreciation allowable under Income-tax Act, 1961 over depreciation provided in financial statements	(245,788)	(236,665)
<b>Deferred tax assets:</b>		
Provision for gratuity, compensated absences and bonus	3,877	4,732
Provision for doubtful debts and advances	7,787	5,576
Disallowances under section 40(a) / 43B of Income tax Act, 1961	3,223	16,582
<b>Deferred tax assets/liability (net)</b>	<b>(230,901)</b>	<b>(209,775)</b>

## 7. Capacity and production

Class of Goods	Unit	Installed Capacity*	Actual Production			
			Gear Pumps	Valves	Castings	Components
Hydraulic and precision engineering	Nos.	400,000 (400,000)	396,763 (345,457)	32,973 (29,830)	- (-)	24,708 (23,950)
Aluminium castings (melting capacity)**	MT	4,380 (4,380)	- (-)	- (-)	1,625 (1,755)	- (-)
Automotive components	Nos.	10,744,650 (10,223,123)	- (-)	- (-)	- (-)	9,259,913 (8,718,607)
			<b>396,763</b> (345,457)	<b>32,973</b> (29,830)	<b>1,625</b> (1,755)	<b>9,284,621</b> (8,742,557)

\* As certified by the management and accepted by the auditors, this being a technical matter.

\*\* Production of the Aluminium castings (AC) includes 994,986 Nos (Previous year: 1,022,120 nos) transferred to Automotive Components (AUC) and Hydraulics and Precision Engineering division (HPE).

Note:

- Details of electricity generation and utilization at wind farm division for the current year (previous year – nil) is provided below:

Details	Units (nos)
Production during the year	17,522,480
Captive consumption	11,748,177
Sales	5,469,063
Closing balance	305,240

- The Company is exempt from the licencing provisions of the Industries (Development Regulation) Act, 1951.
- Figures in brackets relate to previous year.



**8. Particulars of Opening and Closing Stock and Turnover:**

Class of Goods	Opening Stock		Turnover		Closing Stock	
	Quantity (Nos.)	Value	Quantity (Nos.)	Value	Quantity (Nos.)	Value
<b>HPE:</b>						
Hydraulic Gear Pump	17,753	38,010	400,789	809,969	13,727	31,335
	(16,650)	(36,770)	(344,254)	(755,785)	(17,753)	(38,010)
Valves	-	-	32,826	128,353	147	380
	(55)	(115)	(29,885)	(113,754)	-	-
Components	5,621	13,307	24,141	117,130	6,188	13,314
	(6,717)	(12,946)	(25,046)	(139,908)	(5,621)	(13,307)
<b>AC:</b>						
Castings	-	-	2,430	1,742	626	142
	(385)	(126)	(3,360)	(3,301)	-	-
<b>AUC:</b>						
Case Front	14,958	8,430	444,870	174,199	24,812	7,532
	(7,734)	(4,711)	(476,047)	(223,340)	(14,958)	(8,430)
Water Pump	6,045	3,577	388,512	176,627	6,985	2,461
	(1,905)	(819)	(424,374)	(195,720)	(6,045)	(3,577)
Intake Manifold	3,435	4,558	231,798	321,524	2,641	3,038
	(763)	(987)	(296,998)	(467,159)	(3,435)	(4,558)
Rocker Cover	3,314	1,507	254,354	115,570	2,097	871
	(17,221)	(8,431)	(283,968)	(157,312)	(3,314)	(1,507)
Exhaust Manifold	8,677	5,351	505,236	461,050	5,764	4,563
	(19,080)	(12,488)	(449,986)	(448,826)	(8,677)	(5,351)
Rocker Arm - A&B	22,917	1,722	2,142,926	194,352	23,870	1,700
	(22,957)	(1,654)	(2,560,933)	(238,705)	(22,917)	(1,722)
<b>Others</b>		9,449		549,778		11,774
[Note (ii) below]		(1,878)		(490,954)		(9,449)
		85,911		3,050,294		77,110
		(80,925)		(3,234,764)		(85,911)

**Notes:**

- (i) Closing stock is after adjustment for shortage / excess, write-off, etc.  
(ii) The individual values of these are less than 10% of turnover.  
(iii) Figures in brackets relate to previous year.  
(iv) Turnover is gross of excise duty.  
(v) Turnover does not include sale of electricity units aggregating Rs 10,263 (previous year – Rs nil) during the year.

**9. Raw materials and components consumed:**

Particulars	Unit	31 March 2010		31 March 2009	
		Quantity	Value	Quantity	Value
Aluminum extrusions	MT	414	65,201	432	75,550
Castings	Nos	13,718,701	716,222	11,307,614	498,429
Steel for forgings	MT	643	48,142	466	41,655
Components	Nos	16,237,800	294,577	14,035,376	290,401
Aluminum alloy	MT	1,625	314,585	2,758	374,644
Others*		-	205,616	-	432,174
			<b>1,644,343</b>		<b>1,712,853</b>

\*the individual values of these are less than 10% of turnover.

**10. Details of imported and indigenous raw materials and components consumed**

Particulars	31 March 2010		31 March 2009	
	Value	%	Value	%
Imported	486,221	30%	612,439	36%
Indigenous	1,158,122	70%	1,100,414	64%
	<b>1,644,343</b>	<b>100%</b>	<b>1,712,853</b>	<b>100%</b>

**11. Details of imported and indigenous stores and spares consumed**

Particulars	For the year ended 31 March 2010		For the year ended 31 March 2009	
	Value	% of total consumption	Value	% of total consumption
Imported	1,965	1%	1,564	1%
Indigenous	127,659	99%	121,456	99%
	<b>129,624</b>	<b>100%</b>	<b>123,020</b>	<b>100%</b>

**12. Value of imports on C.I.F. basis**

	For the year ended 31 March 2010	For the year ended 31 March 2009
Raw materials and components	472,257	424,687
Stores and spares	1,749	1,480
Capital goods	18,090	116,165
	<b>492,096</b>	<b>542,332</b>

**13. Gratuity plan \***

	As at 31 March 2010	As at 31 March 2009
The following tables sets out the status of the funded gratuity plan as required under revised AS 15 'Employee benefits'.		
<b>Change in defined benefit obligation</b>		
Opening defined benefit obligation	45,609	39,018
Current service cost	5,836	6,879
Interest cost	3,446	2,629
Benefits settled	(3,866)	(2,939)
Actuarial (losses)/Gain	(215)	22
<b>Closing defined benefit obligation</b>	<b>50,810</b>	<b>45,609</b>
<b>Change in plan assets</b>		
Plan assets at the beginning of the year, at fair value	41,300	32,206
Expected return on plan assets (estimated)	3,446	2,788
Contributions	8,005	8,815
Benefits settled	(3,866)	(2,939)
Actuarial Gain/(losses)	473	430
<b>Plan assets at the end of the year, at fair value</b>	<b>49,358</b>	<b>41,300</b>
<b>Reconciliation of present value of the obligation and the fair value of the plan assets</b>		
Fair value of plan assets at the end of the year	(49,358)	(41,300)
Present value of the defined benefit obligations at the end of the year	50,810	45,609
<b>Asset/(liability) recognised in the balance sheet</b>	<b>1,452</b>	<b>4,309</b>
<b>Gratuity cost for the period</b>		
Current service cost	5,836	6,879
Interest on defined benefit obligation	3,446	2,628
Net actuarial (losses)/Gain recognised in year	(688)	(408)
Return on plan assets	(3,446)	(2,788)
<b>Total, included in "Employee benefit expense"</b>	<b>5,148</b>	<b>6,311</b>
<b>Assumptions at the valuation date</b>		
Discount factor	8%	7%
Expected rate of return on plan assets	8%	7%
Expected rate of salary increase	5%	6%
Retirement age	58	58

\*The Company accrued gratuity in accordance with the provisions of the Payment of Gratuity Act, 1972 as applicable as at the balance sheet date and accordingly the maximum payment is restricted to Rs 350,000.

Particulars	For the year ended 31 March 2010	For the year ended 31 March 2009
<b>14. Earnings per share</b>		
Calculation of basic and diluted shares used in computing earnings per share:		
Profit after tax	108,174	48,702
Number of weighted average shares considered for calculation of basic earning per share	5,414,703	5,197,652
Basic earnings per share of face value of Rs. 10 each	19.98	9.37
The Company has no potential dilutive equity shares.		
<b>15. Set out below is the movement in provision balances in accordance with AS 29, 'Provisions, Contingent liabilities and Contingent Assets':</b>		
<b>Provision for warranty:</b>		
Opening balance	2,373	2,655
Provision	8,827	(52)
Utilized during the year	(6,528)	(230)
<b>Closing balance</b>	<b>4,672</b>	<b>2,373</b>
<b>16. Expenditure and earnings in foreign currency</b>		
<b>Expenditure in foreign currency</b>		
Travelling	8,127	5,165
Legal and professional charges	1,722	377
Interest	57,614	26,095
Others	263	1,999
	<b>67,726</b>	<b>33,636</b>
<b>Earnings in foreign currency</b>		
Exports on F.O.B. basis	341,392	261,571
Interest	7,963	8,013
Others	19,020	10,708
	<b>368,375</b>	<b>280,292</b>

**17. Related party transactions:**

Description of relationship	Name of related Party	
Parties where control exists	Udayant Malhoutra (UM)	% of voting power - 54.61
Subsidiaries	i) DM 38 Limited, UK (DM 38) ii) Dynamatic Ltd, UK (DLUK) iii) JKM Global Pte Limited, Singapore (JGPL) iv) JKM Research Farm Limited (JRFL)	
Companies over which key management personnel or relatives of such personnel are able to exercise significant influence (other related entities)	i) Christine Hoden (India) Private Limited (CHIPL) ii) Greeneearth Biotechnologies Limited (GBL) iii) JKM Holding Private Limited (JHPL) iv) JKM Human Resources Private Limited (JHRPL) v) JKM Offshore (India) Private Limited (JOIPL) vi) Primella Sanitary Products Private Limited (PSPPL) vii) Udayant Malhoutra and Co Private Limited (UMCPL) viii) Vita Private Limited (VPL) ix) Wavell Investments Private Limited (WIPL) x) Pramilla Estates Private Limited (PEPL)	
Key Management Personnel (KMP) Executive Directors	a) Udayant Malhoutra, Chief Executive Officer & Managing Director (UM) b) V Sunder - President and Group Chief Financial Officer (VS) c) B Seshnath - Executive Director and Chief Marketing Officer (BS) d) N Rajagopal, Executive Director and Chief Operating Officer (NR)	
Relatives of KMP	a) Pramilla Malhoutra (PM) b) Udit Malhoutra (UDM) c) Barota Malhoutra (BM)	

The following is the summary of transactions for the year ended 31 March 2010 and balance outstanding as at 31 March 2010 with related parties:

Related Party	2010				2009			
	Subsidiaries	Other Related Entities	Key Management Personnel	Relatives	Subsidiaries	Other Related Entities	Key Management Personnel	Relatives
<b>Sales*</b>								
- DLUK	13,930	-	-	-	3,954	-	-	-
<b>Purchases*</b>								
- DLUK	555	-	-	-	-	-	-	-
<b>Other income</b>								
<i>Interest</i>								
- GBL	-	-	-	-	-	691	-	-
- JGPL	7,963	-	-	-	8,013	-	-	-
<b>Expenses</b>								
<i>Rent</i>								
- JRFL	9,150	-	-	-	4,200	-	-	-
- VPL	-	175	-	-	-	300	-	-
- JHPL	-	224	-	-	-	-	-	-
- NR	-	-	-	-	-	-	480	-
- PM	-	-	-	1,600	-	-	-	1,400
- UDM	-	-	-	300	-	-	-	300
<i>Salaries and wages</i>								
- JHRPL	-	39,921	-	-	-	32,089	-	-
<i>Recharges received</i>								
- JGPL	2	-	-	-	-	-	-	-
- DLUK	118	-	-	-	1,674	-	-	-
<i>Managerial remuneration</i>								
- UM	-	-	2,072	-	-	-	2,007	-
- NR	-	-	2,594	-	-	-	2,124	-
- VS	-	-	3,099	-	-	-	3,053	-
- BS	-	-	2,515	-	-	-	2,048	-
<b>Recharges made</b>								
- DLUK	482	-	-	-	1,115	-	-	-
- JGPL	-	-	-	-	714	-	-	-
- DM 38	-	-	-	-	2,910	-	-	-
- JGPL	-	-	-	-	26,200	-	-	-
<b>Dividend paid</b>								
<i>Interim dividend</i>								
- JHPL	-	4,417	-	-	-	2,008	-	-
- JOIPL	-	2,341	-	-	-	1,037	-	-
- UMCPL	-	3,636	-	-	-	1,543	-	-
- UM	-	-	5,176	-	-	-	2,364	-
- BM	-	-	-	27	-	-	-	-
- Others	-	540	-	1	-	300	-	12
<i>Final dividend</i>								
- JHPL	-	1,205	-	-	-	1,205	-	-
- JOIPL	-	652	-	-	-	622	-	-
- UMCPL	-	986	-	-	-	926	-	-
- UM	-	-	1,403	-	-	-	1,418	-
- BM	-	-	-	7	-	-	-	-
- Others	-	180	-	0.15	-	180	-	7

Related Party	2010				2009			
	Subsidiaries	Other Related Entities	Key Management Personnel	Relatives	Subsidiaries	Other Related Entities	Key Management Personnel	Relatives
<b>Advances paid during the year</b>								
- JGPL	-	-	-	-	257,624	-	-	-
<b>Advances recovered during the year</b>								
- JGPL	17,088	-	-	-	262,633	-	-	-
- DM 38	2,910	-	-	-	-	-	-	-
<b>Loans repaid to the Company during the year</b>								
- GBL	-	-	-	-	-	18,500	-	-
<b>Investments made during the year</b>								
- JGPL	-	-	-	-	408,469	-	-	-
- JRFL	-	-	-	-	16,000	-	-	-
<b>Balances outstanding</b>								
<i>Payables</i>								
- DLUK	346	-	-	-	-	-	-	-
- JHRPL	-	423	-	-	-	3,525	-	-
- UMCPL	-	-	-	-	-	2,469	-	-
- JHPL	-	-	-	-	-	3,213	-	-
- JOIPL	-	-	-	-	-	1,659	-	-
- UM	-	-	-	-	-	-	3,782	-
- Others	-	-	-	-	-	480	-	19
<i>Receivables</i>								
- JGPL	3,576	-	-	-	14,547	-	-	-
- DLUK	5,113	-	-	-	3,579	-	-	-
- JRFL	9,247	-	-	-	4,261	-	-	-
-DM 38	-	-	-	-	2,910	-	-	-
<i>Loans receivables</i>								
- JGPL	109,028	-	-	-	122,533	-	-	-
<b>Contingent liability</b>								
<i>Corporate guarantee outstanding</i>								
- JGPL	148,962	-	-	-	167,376	-	-	-
- DLUK	252,784	-	-	-	284,032	-	-	-
- DM38	340,200	-	-	-	362,450	-	-	-

\*inclusive of all applicable duties and taxes

## 18. Segment information

### Information about Primary Business Segments:

The business segment has been considered as the primary segment. The Company is organized into five main business segments, namely:-

- Hydraulic and Precision Engineering ("HPE") - comprising hydraulic pumps, hand pumps, lift assemblies, valves and powerpacks
- Aluminium Castings ("AC") - comprising castings for automotive components
- Automotive Components ("AUC") - comprising case front, water pumps, intake manifolds and exhaust manifold
- Aerospace ("ASP") - comprising airframe structures, precision aerospace and components
- Wind farm ("WF") - generation of power through wind energy

Segment revenue, assets and liabilities have been accounted for on the basis of their relationship to the operating activities of the segment and amounts allocated on a reasonable basis.

**Information relating to business segments for the year ended 31 March 2010.**

Particulars	HPE	AC	AUC	ASP	WF	Unallocated	Total
<b>A. Primary segment reporting</b>							
(i) <b>Revenue</b>							
External - sales and services	1,124,357	349,627	1,900,449	158,515	52,523	-	3,585,473
Less: excise duty	(77,687)	(109)	(150,678)	(1,060)	-	-	(229,534)
Inter-segment sales and services	(179)	(336,272)	-	-	(42,261)	-	(378,712)
Other income	15,740	10,572	12,069	476	-	10,894	49,751
<b>Total revenue</b>	<b>1,062,232</b>	<b>23,818</b>	<b>1,761,840</b>	<b>157,931</b>	<b>10,263</b>	<b>10,894</b>	<b>3,026,978</b>
(ii) <b>Results</b>							
Segment result - EBIDA-profit/(loss)	185,989	44,597	193,275	63,439	41,152	10,894	539,346
(Less): depreciation	(37,185)	(24,449)	(88,175)	(20,945)	(14,909)	-	(185,663)
Segment result - profit/(loss)	148,804	20,148	105,100	42,494	26,243	10,894	353,683
(Less): interest expense	-	-	-	-	-	(214,265)	(214,265)
<b>Profit/(loss) before taxation</b>	<b>148,804</b>	<b>20,147</b>	<b>105,100</b>	<b>42,494</b>	<b>26,243</b>	<b>(203,371)</b>	<b>139,418</b>
(Less): provision for taxation	-	-	-	-	-	-	(31,244)
<b>Net profit after tax</b>							<b>108,174</b>
(iii) <b>Other information</b>							
Segment assets	925,324	318,034	1,415,432	598,440	314,201	711,239	4,282,770
Segment liabilities	185,225	99,103	483,536	23,268	759	2,030,844	2,822,085
Capital expenditure	34,326	27,895	27,340	67,820	-	-	157,381
Depreciation	37,185	24,449	88,175	20,945	14,909	-	185,663
Other non-cash expenses	(1,108)	1,124	8,451	49	-	-	8,516

**Information relating to business segments for the year ended 31 March 2009.**

Particulars	HPE	AC	AUC	ASP	WF	Unallocated	Total
<b>A. Primary segment reporting</b>							
(i) <b>Revenue</b>							
External - sales and services	1,085,487	409,463	2,142,545	110,674	579	-	3,748,748
Less: excise duty	(110,570)	(441)	(265,502)	(1,747)	-	-	(378,260)
Inter-segment sales and services	-	(406,162)	-	-	(579)	-	(406,741)
Other income	18,676	17,150	17,447	-	9,141	13,708	76,122
<b>Total revenue</b>	<b>993,593</b>	<b>20,010</b>	<b>1,894,490</b>	<b>108,927</b>	<b>9,141</b>	<b>13,708</b>	<b>3,039,869</b>
(ii) <b>Results</b>							
Segment result - EBIDA-Profit/(Loss)	186,229	47,644	175,930	32,595	5,170	13,709	461,275
(Less): depreciation	(38,576)	(24,601)	(85,601)	(14,647)	(8,695)	-	(172,120)
Segment result - profit/(Loss)	147,653	23,043	90,329	17,948	(3,525)	13,708	289,155
(Less): interest expense	-	-	-	-	-	177,043	177,043
<b>Profit/(Loss) before taxation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>112,112</b>
(Less): provision for taxation	-	-	-	-	-	-	(63,410)
<b>Net profit after tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>48,702</b>
(iii) <b>Other information</b>							
Segment assets	898,271	357,438	1,540,139	500,736	319,094	735,807	4,351,485
Segment liabilities	139,893	70,388	446,522	20,679	824	2,324,295	3,002,601
Capital expenditure	72,891	42,200	190,446	238,704	320,813	-	865,054
Depreciation	38,576	24,601	85,601	14,647	8,695	-	172,120
Other non-Cash expenses	(1,124)	(20)	4,221	(289)	-	-	2,788

**B. Secondary segment reporting**

**Information relating to geographical segment for the year ended 31 March 2010.**

Particulars	31 March 2010			31 March 2009		
	In India	Outside India	Total	In India	Outside India	Total
Revenue	2,658,603	368,375	3,026,978	2,759,577	280,292	3,039,869
Carrying amount of segment assets	4,282,770	-	4,282,770	4,351,485	-	4,351,485
Capital expenditure	157,381	-	157,381	865,054	-	865,054

**19. Foreign currency exposures as at 31 March 2010 that have not been hedged by a derivative instrument or otherwise:**

Particulars	As at 31 March 2010	As at 31 March 2009
Receivables	250,344	158,657
Payables	315,587	673,886

**20. Disclosure pursuant to Accounting Standard 7 (revised), Construction contracts**

Particulars	For the year ended 31 March 2010	For the year ended 31 March 2009
Cost incurred and recognized profits net of recognized losses	70,126	70,006
Unbilled revenue	37,857	28,395
Customer advances	2,623	2,623
Retention amount due from customers	-	-

**21. Transfer Pricing**

The Company has established a comprehensive system of maintenance of information and documents as required by the transfer pricing legislation under sections 92-92F of the Income-tax Act, 1961. The Company's management is of the opinion that its international transactions with related parties are at arm's length and the Company is in compliance with the transfer pricing legislation. Accordingly, the Company's management believes that the transfer pricing legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation.

**22. Dues to Micro, Small and Medium Enterprises**

The management has initiated the process of identifying enterprises which have provided goods and services to the Company and which qualify under the definition of micro and small enterprises, as defined under Micro, Small and Medium Enterprises Development Act, 2006. The Ministry of Micro, Small and Medium enterprises has issued an office Memorandum dated 26 August 2008 which recommends that the Micro and Small enterprises should mention in their correspondence with its customers the entrepreneur's Memorandum number as allocated after filing of the Memorandum. The Company has not received any claim for interest from any supplier under the said Act.

**23. Forward contracts**

The Company has outstanding forward contracts aggregating to USD 3.81 million (previous year USD 5.57 million) as of 31 March 2010.

**24. Cash flow hedge**

The Company has hedged a part of its future foreign currency receivables to mitigate its foreign exchange fluctuation risks. The same has been designated as a cash flow hedge with effect from 01 April 2008 applying the hedging criteria. The mark to market gain on this contract at the date of designation of the hedge aggregating Rs.5,494 (after discounting) has been credited to the profit and loss account. The movement in the mark to market subsequent to the designation as a cash flow hedge aggregates Rs. 12,064. The cash flow hedge is expected to occur in the next one year, when the effect in the Profit and Loss Account would be accounted for.

The details as at balance sheet date are as follows:

Particulars	As at 31 March 2010	As at 31 March 2009
Outstanding contract value in foreign currency (USD)	3,000	6,100
Equivalent Indian Rupees (INR)	135,420	309,392
Mark to market value	17,558	73,384

**25. These financial statements have been prepared on a going concern basis considering support from its bankers in the future at existing level, although there has been breach of few covenants of some loans for which, the management has initiated the process with bank for relaxation.**

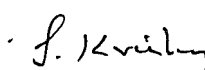
26. The following are the year end balances and maximum amount involved in respect of companies under the same management as defined under Section 370 (1B) of the Companies Act, 1956 included in loans and advances

Particulars	Balance as at 31 March		Maximum balance during the year ended 31 March	
	2010	2009	2010	2009
DM 38 Limited, UK	-	2,910	2,910	2,910
JKM Global Pte Limited, Singapore	3,576	14,547	19,863	267,933
JKM Global Pte Limited, Singapore (Loan account)	109,028	122,533	122,533	122,533
JKM Research Farm Limited	9,247	4,261	11,627	4,551

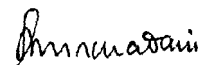
27. The current year numbers are not comparable with the previous year numbers as the Company acquired wind farm division in the previous year.
28. Previous year's figures have been re-grouped/ re-classified, wherever necessary, to conform to the current year presentation.
29. Previous year audit was carried out by a firm other than B S R & Associates.

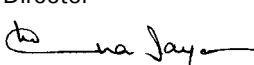
for and on behalf of the Board of Directors

  
**Dr. K APRAMEYAN**  
 Director

  
**Air Chief Marshal**  
**S. KRISHNASWAMY (Retd.)**  
 Director


  
**S GOVINDARAJAN**  
 Director

  
**GOVIND MIRCHANDANI**  
 Director

  
**MALAVIKA JAYARAM**  
 Director

  
**N RAJAGOPAL**  
 Executive Director and CTO

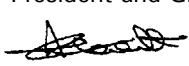
  
**B SESHNATH**  
 Executive Director and CMO

  
**V SUNDER**  
 President and Group CFO

  
**UDAYANT MALHOUTRA**  
 CEO and Managing Director

Place : Bangalore  
 Date : 22 July 2010

  
**N RAM MOHAN**  
 Financial Controller

  
**G HARITHA**  
 GM- Compliance & Company Secretary



## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

### 1. Registration Details

Registration No :	L85110KA1973PLC002308	State Code	08
Balance Sheet Date :	March 31, 2010		

### 2. Capital Raised During the Period : (Amount in Rs. Thousands)

Public Issue	Nil	Rights issue	Nil
Bonus Issue	Nil	Private Placement	Nil
Placement on Merger	Nil		

### 3. Position of Mobilisation and Deployment of Funds : (Amount in Rs. Thousands)

Total Liabilities	3,548,706	Total assets	3,548,706
	(Including net deferred tax liability Rs. 209,775)		

#### Source of Funds

Paid up Capital	54,147	Secured Loans	1,737,888
Reserves and Surplus	1,406,538	Unsecured Loans	119,232
Deferred tax liabilities	230,901		

#### Application of Funds

Net Fixed Assets	2,267,672	Investments	509,857
Net Current Assets	771,177	Miscellaneous Expenditure	Nil
Accumulated Losses	Nil		

### 4. Performance of Company : (Amount in Rs. Thousands)

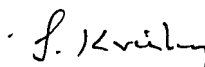
Turnover (including Other Income Rs 49,751)	3,026,978	Total Expenditure	2,887,560
Profit/(Loss) Before Tax	139,418	Profit/Loss After Tax	108,174
Earning Per Share Rs	19.98	Dividend Rate%	75%

### 5. Generic Names of Four Principal Products/Services of Company (as per monetary terms)

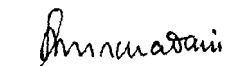
Items Code No	8413.19	8479.10	870790.01	8481.80
Product Description	Hydraulic Gear Pumps	Power Pack Pump Unit	Automotive Components	Valves
Services Description				

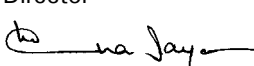
for and on behalf of the Board of Directors

  
**Dr. K APRAMEYAN**  
Director

  
**S. KRISHNASWAMY (Retd.)**  
Director

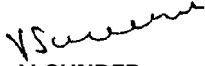
  
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Director

  
**GOVIND MIRCHANDANI**  
Director

  
**MALAVIKA JAYARAM**  
Director


  
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Executive Director and CTO

  
**B SESHNATH**  
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**UDAYANT MALHOUTRA**  
CEO and Managing Director

Place : Bangalore  
Date : 22 July 2010

  
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