



DYNAMATIC TECHNOLOGIES LIMITED

ANNUAL REPORT *2010-11*

Grassroots Globalisation



Grassroots Globalisation

Dear Fellow Shareholder,

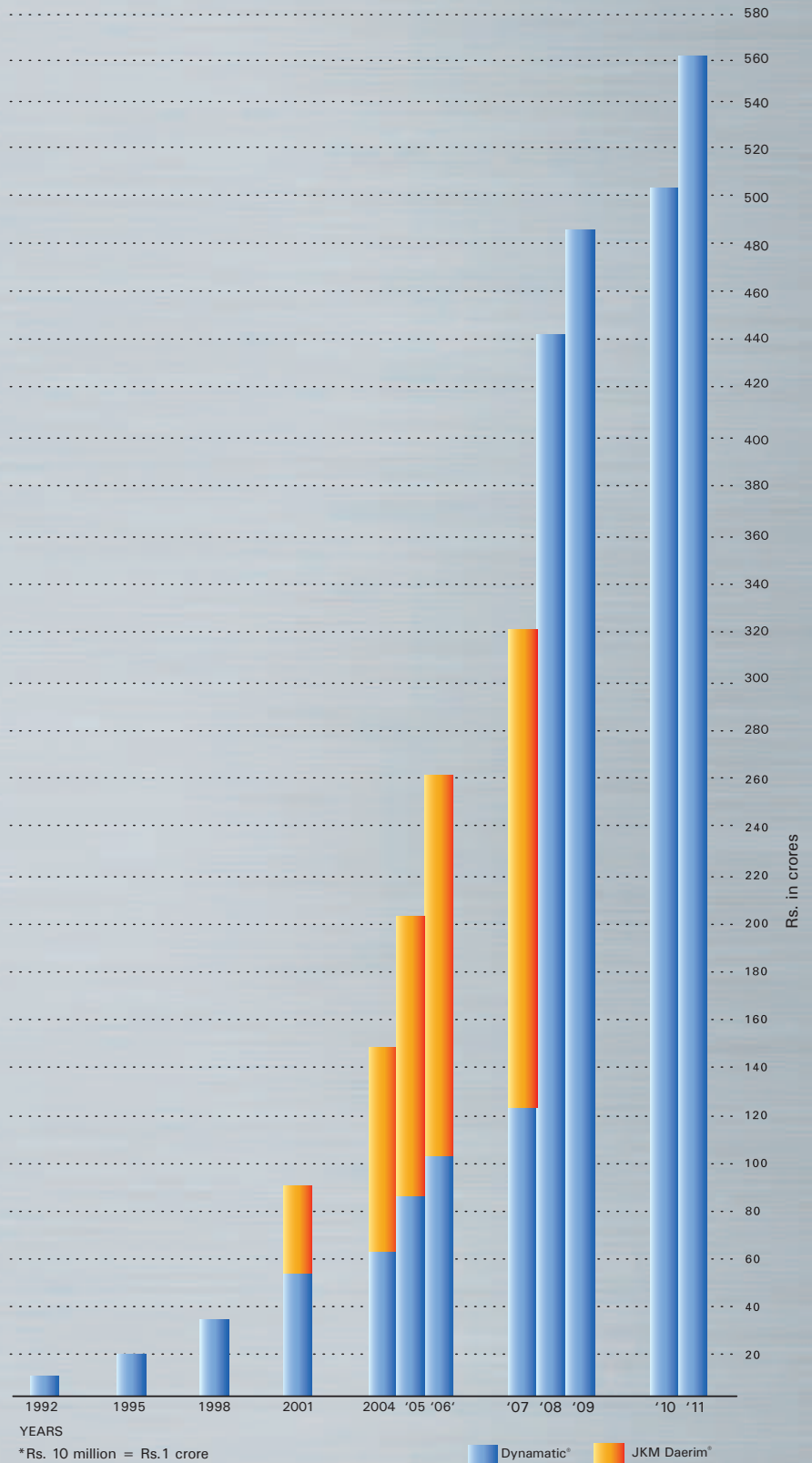
On behalf of the Board of Directors of Dynamatic Technologies Limited and its Subsidiaries, I take pleasure in presenting you with Audited Financial Statements for the year 2010-11.

During the year under review, Your Company along with its Subsidiaries has recorded a growth rate of 12.43% in Aggregated Sales. Gross Sales of ₹5644.55 million (aggregated with Subsidiaries) was the highest ever recorded with consolidated EBIDTA of ₹832.95 million & Net Profit Before Tax of ₹303.28 million.

The graph on the right shows Your Company's growth over the past 20 years.

Your Company has been able to grow on a sustained basis through several boom and bust cycles. Your Company has globalized its design, manufacturing and sales footprints, and at the same time has become relevant in multiple high technology industries; Hydraulics, Automotive, Aeronautics and Design. This has been possible through a combination of various drivers; a relentless focus on customer requirements, design and development of new products on a continuous basis, constantly investing in cutting edge processes to enhance quality and productivity and finally, by being frugal and efficient in everything we do.

We have designed and built Dynamatic's management processes to allow as much decision-making



In the earlier years, JKM Daerim® has been identified separately on the bar chart above. With effect from 2007-08, the merged identity is shown as a single bar. The aggregated sales for 2010-11 also includes the turnover recorded by Your Company's Wholly Owned Subsidiaries as well as Inter-Division/Company Sales of ₹38.93 cr. from Dynametal®, Dynamatic® Hydraulics, Dynamatic® Wind Farm and Dynamatic Limited, UK.

authority as is practical to be shifted to the Company's lowest strategic level of organization. As a result, each business unit is a fully self-contained SBU with autonomous decision-making authority. This allows the overall organization to specialize in multiple disciplines, and to find comfort across the barriers of culture and geography.

'Many heads are better than One'

- Aristotle

It is said that 'collective wisdom is better than individual wisdom, and diverse collective wisdom is best of all'. Through Your Company's unique 'grassroots' organizational architecture, it is able to grow continuously; in size, diversity, economic relevance and in geographical reach. Also, since organizational intelligence is pervasive, Your Company is highly adaptive and responsive to change.



Dynamatic® Hydraulics' modern design and manufacturing facilities in the UK and India have enabled it to become one of the top-two suppliers of Hydraulic Gear Pumps to the agricultural tractor industry worldwide. This sector is growing as a result of buoyant demand for agricultural commodities around the world. Gear pumps are also used extensively in mining and infrastructure sectors, both of which are enjoying an unprecedented boom. With



Mr Udayant Malhoutra, CEO & Managing Director, Dynamatic Technologies Ltd, Mr. Rajan Wadhwa, Chief Executive – Technology, Product Development and Sourcing Automotive & Farm Equipment Sectors, Mahindra & Mahindra Ltd, and Mr. G V Gururaj, Senior General Manager Marketing, Dynamatic® Hydraulics, at the launch of the next generation gear pump, Indra, at the Mahindra and Mahindra Tech Day event.

its fast expanding production lines, Your Company could emerge as the world's leading producer during the next year.

During the past 12 months, Dynamatic® Hydraulics received the 'Best Performance Award' in the Supply Chain Management Category from the Swaraj Tractor Division of Mahindra & Mahindra. Your Company also bagged an award from Voltas Limited for the consistent quality of products supplied.

Three years back, Your Company's JKM Automotive™ division faced strong challenges as car-makers struggled to adapt to a sharp decline in demand as a result of the global financial crisis. This ended a remarkable decade of strong and predictable year-on-year growth across the industry. When growth returned to the automotive sector, the industry had lost capacity across the supply chain as smaller companies had either exited, or had let go of their workers. This was especially true in India's foundries, most of which are small family-owned, labour-intensive businesses. As a result JKM Automotive™ recovered sales but not profits, as it had to contend with monopolistic suppliers, high input costs and short-supplies (which in turn forced it to rely on expensive airfreight solutions to deliver products around the world).

Long-term however, JKM Automotive's continued focus on products relating to emission control and fuel-efficiency, continues to gain traction given high energy prices and changing global attitudes towards the environment.

Keeping in mind the challenges and opportunities facing it, your Board and Leadership Team has embarked upon a rapid recovery and growth plan for this business.

Your Company is in the process of demerging JKM Automotive™ into a Wholly-Owned Subsidiary - JKM Erla Automotive Limited, which in turn has acquired the German and Indian Operations of Eisenwerk Erla GmbH.



Eisenwerk Erla GmbH, Germany

greenfield foundry at Chennai which is highly automated. This has the potential to shift the balance of pricing-power back to JKM Automotive™.

Dynamatic's export program for the Airbus Single-Aisle Flap Track Beam project was successfully ramped-up during June 2010, with Dynamatic-Oldland Aerospace™ achieving Single Source Supplier status to Airbus through Spirit AeroSystems. Your Company has also commenced production of Cabinets to house critical power and mission equipment for the P8I, a multi-mission maritime aircraft developed by Boeing and customized for the Indian Navy.



High Precision Robotic Core Setter in the GFD Moulding Line at Eisenwerk Erla GmbH, Germany.

With this acquisition, Your Company's automotive business is set to grow five-fold within a year from its present level of ₹200 crores. It also becomes globally relevant in the fast growing global market for automotive turbochargers, and as a consequence moves back to profitability as a niche specialist. Equally importantly, Your Company as part of this transaction, has acquired India's most modern

Dynamatic's Yellow Brick Road Strategy, which envisages a Global Aerospace Supply Chain for its Aerospace business, is beginning to show results, as these global majors start considering Your Company for much larger work-packages.



Machining of the Flap Track Beam for the Airbus Single Aisle Aircraft at Dynamatic-Oldland Aerospace™

DYNAMATIC TECHNOLOGIES LIMITED



Mr. Harvansh Batra, Director Sourcing, EADS India, Mr. Subodh R, Dy. COO- Dynamatic-Oldland Aerospace™, Mr. G P Reddy, Chief Operating Officer - Dynamatic-Oldland Aerospace™, Dr. Rajkumar Khatri, Commissioner, Department of Industries and Commerce, Government of Karnataka, Mr. Philippe Advani, Vice President, Global Sourcing Network, EADS Headquarters, Air Marshal TJ Master, Chairman & Managing Director, Master Aerospace Consultants Pvt. Ltd, Mr. S.V. Ranganath, Chief Secretary, Government of Karnataka, Mr. V.P Baligar, Principal Secretary, Government of Karnataka, Department of Industries & Commerce, Mr. Klaus Richter, Executive Vice President Procurement, EADS Corporate Sourcing & Airbus, Mr. Udayant Malhoutra, CEO & Managing Director, Dynamatic Technologies Limited, Air Cmdr. Ravish Malhotra (Retd.), Chief Mentor & Co-Founder, Dynamatic-Oldland Aerospace™, Mr. James Tucker, Director & COO, Dynamatic-Oldland Aerospace™ and Ms. Claire Tucker, Director & COO, Dynamatic-Oldland Aerospace™ at the Ground Breaking Ceremony of Dynamatic® Aerotropolis, Bangalore.

With manufacturing locations in the UK and in India, Dynamatic-Oldland Aerospace™ is able to offer best value techno-commercial propositions to its global customers.

During February 2011, Dynamatic-Oldland Aerospace™ broke ground at its new industrial site adjacent to the International Airport in Bangalore. Keeping pace with its growing business, Your Company will establish sophisticated sheet-metal manufacturing facilities, a large aerostructure assembly hangar, as well as a fully certified surface-treatments plant on this campus.

Your Company is already collaborating with India's National Defence and Security Forces to develop combat proven solutions for gathering real-time visual intelligence in remote and hostile environments, as well as monitoring and mapping capabilities for civilian applications. Earlier this year, Dynamatic® received a manufacturing license for UAV production from the Government of India.

Throughout the history of Dynamatic Technologies Limited, it has faced challenging times head on,

seeking to benefit from the opportunities that accompany environmental risk. It has done so by being open to change, evolving into something bigger and better each time.

The leadership team at Dynamatic® remains confident in its abilities to continue on its existing high growth curves.

On behalf of our Board of Directors and Senior Management, I thank you for your continued support.

Udayant Malhoutra
Chief Executive Officer and Managing Director

Chairman

Mr. Vijai Kapur

Management Consultant

During an illustrious career, he was heading GKW Limited as Dy. Managing Director, and was also past President – AIEI (now called CII)

Director

Dr. K. Aprameyan

Distinguished Technocrat

He is credited with the growth of Bharat Earth Movers Limited where he retired as Chairman and Managing Director. He was also a Member of the National Council, Confederation of Indian Industries (CII) and the Governing Council, Institute of Robotics and Intelligence Systems (IRIS).

Director

Air Chief Marshal S. Krishnaswamy (Retd.)

Distinguished Former Head of Indian Defence Services

He is credited with bringing focus towards indigenous capabilities as additional strategic dimensions of National Security Policy. He retired as the Commander of India's Defence forces in the Capacity of Chairman, Chiefs of Staff Committee 2004, in addition to serving as Chief of Air Staff, Indian Air Force 2002-04.

Director

Mr. S. Govindarajan

Senior Banking Professional

Formerly the Managing Director & Group Executive (National Banking Group) of the largest bank in India, his illustrious career with the State Bank of India which included tenures as the Chief Financial Officer and Chief Treasury Officer, has endowed him with rich experience in finance and banking. He has also served as the Banking Ombudsman of the Reserve Bank of India and as a Member of the Disciplinary Action and Default Committee of National Commodities and Derivative Exchange, Mumbai.

Director

Mr. Govind Mirchandani

Management Consultant

He has vast experience in developing and building leading brands in India. He has had a distinguished career which includes the positions of Executive Director & CEO, Reid and Taylor. Director, Brandhouse Retail

Ltd, CEO & Director, Arvind Mills Ltd., President, Denim Division, Arvind Mills Ltd, and President & CEO, Personality Ltd.

Director

Ms. Malvika Jayaram

Lawyer

An expert on Intellectual Property Rights, International Business Transactions and EU Law, she is a partner of Jayaram & Jayaram Associates. She has spent almost a decade practising law in Europe with Allen & Overy, London and Citigroup, London where she was Vice President & Technology Law Counsel, before returning to India.

Director

Mr. Raymond Keith Lawton

Company Executive

Formerly the Executive Chairman, Sauer Danfoss (Swindon Unit), he is credited with the transformation of the Swindon unit into a state-of-the-art facility. He is the Director & Chief Operating Officer, Hydraulics Division, Dynamatic Limited, UK.

Executive Director & Chief Technology Officer

Mr. N. Rajagopal

Company Executive

He has over three decades' experience in production, design and engineering operations, having held positions of seniority in Dynamatic®. He was formerly Director Operations and ED & COO, Dynamatic® Hydraulics and Dynametal®.

Executive Director & Chief Marketing Officer

Mr. B. Seshnath

Company Executive

He has extensive marketing experience in Automotive, Pneumatic and Hydraulic Industries, having worked with the TVS Group, Mahindra & Mahindra, Festo and Dynamatic®. He was formerly the Executive Director & Chief Operating Officer, JKM Daerim Automotive Ltd.

President & Group Chief Financial Officer

Mr. V. Sunder

Company Executive

He has rich experience in Corporate Management, Law and Finance having been the Company Secretary and Head Corporate Planning, Dynamatic®. He is a

fellw member of the Institute of Company Secretaries of India and formerly Chief Executive Officer and Executive Director, JKM Daerim Automotive Ltd.

Chief Executive Officer & Managing Director

Mr. Udayant Malhoutra

Industrialist

He is credited with successfully initiating nurturing, and scaling to industrial size, various technologies associated with all three sciences. In addition to his role at Dynamatic®, he has been a Member, Board of Governors, IIT Kanpur (1997-2001), Member, CII National Council (2001- 2003), (2010-2012), Chairman, CII National Committee on Technology (2002-2003), Chairman, National Committee on Design (2010-2012) and President, Fluid Power Society of India (2004-08)

Director

Mr. James Tucker

Company Executive

Formerly the General Manager of Oldland CNC, he has rich technical and operational experience in Aeronautical manufacturing as well as excellent customer liaison skills, having managed global aerospace majors like Boeing, Airbus, GKN Aerospace, Agusta Westland, etc. He is the Director & Chief Operating Officer, Aerospace Division, Dynamatic Limited, UK.

Director

Ms. Claire Tucker

Company Executive

Formerly the Systems Manager of Oldland CNC, she is credited with having set up modern systems and processes at Oldland Aerospace, particularly in the Administrative, Financial and IT functions. She is the Director & Chief Operating Officer, Aerospace Division, Dynamatic Limited, UK.

Director

Mr. Dietmar Hahn

Company Executive

He has over two decades of rich experience in operations, sales and development, having worked in positions of seniority at Eisenwerk Erla GmbH. He is the Managing Director, Eisenwerk Erla GmbH, Germany.

REGISTERED OFFICE

Dynamatic Park Peenya
Bangalore 560 058 India

KEY FACILITIES

Dynamatic Park Peenya
Bangalore 560 058 India

JKM Park SIPCOT
Irrungattukottai,
Sriperumbudur
Tamil Nadu 602 105 India

Airforce Road
HAL Ancillary Unit – III
Ojhar, Niphad,
Nasik 422207 India

Cheney Manor,
Swindon, Wiltshire
SN2 2PZ, England

Jarvis Street, Barton Hill
Bristol BS5 9TR, England

AUDITORS

M/s. B S R & Associates,
Chartered Accountants,
Bangalore

GM COMPLIANCE & COMPANY SECRETARY

Ms. G. Haritha

REGISTRAR & TRANSFER AGENTS

Karvy Computershare Pvt. Ltd
Vittal Rao Nagar, Madhapur,
Hyderabad 500 081

BANKERS

State Bank of India
State Bank of India, London
Punjab National Bank
(International) Limited
Punjab National Bank
DBS Bank Limited
Standard Chartered Bank
HDFC Bank
ICICI Bank
Axis Bank Limited
Kotak Mahindra Bank Limited
Yes Bank
Export & Import Bank of India

C O R P O R A T E S T R U C T U R E

BOARD OF DIRECTORS



Govind Mirchandani
Director, DTL
Member, Leadership, HRD & Remuneration Committee



Dr K Aprameyan
Director, DTL
Chairman, Technology Development Committee
Member & Alternative Chairman, Audit Committee
Member, Leadership, HRD & Remuneration Committee



Vijai Kapur
Chairman of the Board, DTL
Chairman, Audit Committee
Member, Leadership, HRD & Remuneration Committee
Member, Nomination Committee



Air Chief Marshal S Krishnaswamy (Retd.)
Director, DTL
Chairman, Leadership, HRD & Remuneration Committee
Member & Alternative Chairman, Technology Development Committee
Member, Audit Committee
Member, Nomination Committee



Malavika Jayaram
Director, DTL
Member, Technology Development Committee
Director, JKM ERLA Automotive Ltd, India
Director, Sanmar Ferrotech Ltd, India



S Govindarajan
Director, DTL
Member, Audit Committee
Member, Nomination Committee



V Sunder
President and Group CFO
Member, Shareholders Committee
Director, JKM Research Farm Ltd, India
Director, JKM Global Pte. Ltd, Singapore
Director, Dynamatic Ltd, UK
Director, Yew Tree Investments Ltd, UK
Director, JKM Erla Automotive Ltd, India
Director, Sanmar Ferrotech Ltd, India
Director, EEB GmbH, Germany
Director, Eisenwerk Erla GmbH, Germany



Udayant Malhoutra
CEO & Managing Director, DTL
Member, Technology Development Committee
Member, Shareholders Committee
Member, Nomination Committee
Chairman, JKM Research Farm Ltd, India
Chairman, JKM Global Pte Ltd, Singapore
Chairman, Dynamatic Ltd, UK
Chairman, Yew Tree Investments Ltd, UK
Chairman, JKM Erla Automotive Ltd, India
Chairman, JKM Group GmbH, Germany
Chairman, EEB GmbH, Germany
Chairman, Eisenwerk Erla GmbH, Germany
Chairman, Sanmar Ferrotech Ltd, India



B Seshnath
Executive Director & Chief Marketing Officer, DTL



N Rajagopal
Executive Director & Chief Technology Officer, DTL
Member, Technology Development Committee



S K Kapur
Vice President
Corporate Affairs, DTL



Rear Admiral Rajender Singh (Retd.)
Head - Group HR
DTL



Dietmar Hahn
Managing Director, Eisenwerk Erla GmbH, Germany
Director, JKM Group GmbH, Germany
Director, EEB GmbH, Germany



P S Ramesh
Chief Operating Officer
Dynamatic® Hydraulics



Raymond K Lawton
Director, DTL
Director & Chief Operating Officer, Hydraulics Division, Dynamatic Limited, UK
Member, Audit Committee
Member, Technology Development Committee
Director, Yew Tree Investments Ltd, UK



James Tucker
Director & Chief Operating Officer, Aerospace Division
Dynamatic Limited, UK



N Ram Mohan
Financial Controller
DTL



G Haritha
GM Compliance & Company Secretary
DTL



Enrico Fischer
CFO, Eisenwerk Erla GmbH, Germany
Director, EEB GmbH, Germany
Director, Eisenwerk Erla GmbH, Germany



P K Ray Chaudhuri
Head of Engineering, DTL Research & Development




Ian Patterson
Technical Director & Chief Technology Officer
Hydraulics Division
Dynamatic Ltd, UK




Tony Atkins
Finance Head and Company Secretary
Hydraulics & Aerospace, Dynamatic Ltd, UK




Claire Tucker
Director & Chief Operating Officer, Aerospace Division, Dynamatic Ltd, UK
Director, JKM Erla Holding GmbH, Germany
Director, JKM Group GmbH, Germany
Director, EEB GmbH, Germany
Director, Eisenwerk Erla GmbH, Germany




Pradeep Chennamale
Head Strategic Financial Initiatives
DTL




Rekha S Nair
Head Corporate Communications
DTL




D Sathesh Kumar
Deputy Chief Operating Officer, JKM Automotive™



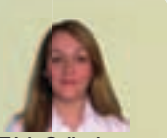
G Elangovan
Vice President
Castings Commodity
Dynametal®



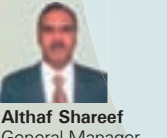
G V Gururaj
Sr. General Manager
Marketing
Dynamatic® Hydraulics



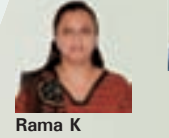
Alan Jinks
Global Sales Manager
Hydraulics Division
Dynamatic Ltd, UK




Trish Gallagher
General Manager
Human Resources & IT Manager
Hydraulics Division
Dynamatic Ltd, UK




Althaf Shareef
General Manager
Information Systems
DTL




Rama K
General Manager
Finance
DTL




R Shiva Kumar
Head - Production Engineering
DTL



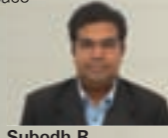
Air Cmde Ravish Malhotra (Retd.)
Chief Mentor & Co-Founder, Dynamatic-Oldland Aerospace™



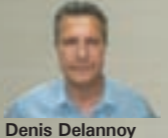
G Parasurami Reddy
Chief Operating Officer, Dynamatic-Oldland Aerospace™




Anil Kumar Katti
Chief Operating Officer, Powermetric® Design, DTL




Subodh R
Deputy Chief Operating Officer
Dynamatic-Oldland Aerospace™



Denis Delannoy
Expert
Metallurgy - Foundry
DTL



Air Cmde K N Kumar VSM (Retd.)
General Manager
Dynamatic-Oldland Aerospace™, Nasik



Arun T S
Deputy Chief Operating Officer
Dynamatic Homeland Security™

SENIOR MANAGEMENT

DYNAMATIC LIMITED, UK
Chairman
Mr. Udayant Malhoutra
Director
Mr. Michael John Handley
Director
Mr. V. Sunder
Director & Chief Operating Officer, Hydraulics Division
Mr. Raymond Keith Lawton
Technical Director & Chief Technology Officer, Hydraulics Division
Mr. Ian Patterson
Director & Chief Operating Officer, Aerospace Division
Mr. James Tucker
Director & Chief Operating Officer, Aerospace Division
Ms. Claire Tucker
Auditors
KPMG LLP, Bristol, UK
Chartered Accountants and Statutory Auditors

JKM ERLA HOLDINGS GmbH, GERMANY
Director
Ms. Claire Tucker

JKM GROUP GmbH, GERMANY
Director
Ms. Claire Tucker
Director
Mr. Dietmar Hahn

JKM GLOBAL PTE LIMITED, SINGAPORE
Chairman
Mr. Udayant Malhoutra
Director
Mr. V. Sunder
Director
Mr. Lim Tiong Beng
Auditors
KPMG LLP, Singapore

JKM RESEARCH FARM LIMITED
Chairman
Mr. Udayant Malhoutra
Director
Ms. Pramilla Malhoutra
Director
Mr. V. Sunder
Auditors
M/s Prasad & Kumar
Chartered Accountants, Bangalore

EENWERK ERLA GmbH, GERMANY
Chairman
Mr. Udayant Malhoutra
Executive Director
Mr. Dietmar Hahn
Director
Mr. V. Sunder
Director
Mr. Enrico Fischer

SANMAR FERROTECH LIMITED
Chairman
Mr. Udayant Malhoutra
Director
Ms. Malavika Jayaram
Director
Mr. V. Sunder

YEW TREE INVESTMENTS LIMITED, UK
Chairman
Mr. Udayant Malhoutra
Director
Mr. V. Sunder
Director
Mr. Raymond Keith Lawton
Auditors
KPMG LLP, Bristol

JKM ERLA AUTOMOTIVE LIMITED
Chairman
Mr. Udayant Malhoutra
Director
Ms. Malavika Jayaram
Director
Mr. V. Sunder
Auditors
M/s B S R & Associates
Chartered Accountants, Bangalore

Your Company's Organisational Structure is based on a network of highly talented people who have been empowered to deliver results. A concerted effort has been made to remove hierarchy in everything we do.

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PLEASE LIFT FOLDOUT FOR CORPORATE STRUCTURE

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

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 31st March 2011, 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.
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 21.97 % of total assets, 29.26% of total revenues and other income and (net decrease) in cash and cash equivalents for the year is (₹89,882) thousand, 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 20.68% of total assets and 29.01% of total revenues and other income and (net decrease) in cash and cash equivalents for the year is (₹87,991) thousand, 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 generally accepted accounting principles in India. The reporting packages made for this purpose have been audited by the other auditors and reports for consolidation purposes of those other auditors have been furnished to us. 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.
 - b. The financial statements and other financial information of a Subsidiary have been audited by other auditor. This Subsidiary accounts for 0.97% of total assets and 0.02% of total revenues and other income and (net decrease) in cash and cash equivalents for the year is (₹276) thousand, 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 the other auditor.
 - c. The financial statements and other financial information of the remaining Subsidiaries have not been subjected to audit either by us or by other auditors, and therefore, unaudited financial statements for the Year ended 31st March 2011 of these entities have been furnished to us by the management. These Subsidiaries account for 0.32% of total assets, 0.23% of total income and (net decrease) in cash and cash equivalents for the year is (₹1,615) thousand, as shown in these Consolidated Financial Statements, and therefore are not material to the Consolidated Financial Statements.
4. We report that the Consolidated Financial Statements have been prepared by the Company's management in accordance with the requirements of Accounting Standards 21 - Consolidated Financial Statements prescribed by the Companies (Accounting Standards) Rules, 2006.
5. 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 31st March 2011;
 - 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

Place : Bangalore
Date : 28th May 2011

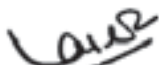
CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2011

		As at 31 March 2011	As at 31 March 2010
(₹ in '000)			
SOURCES OF FUNDS	Schedule		
Shareholders' funds			
Share capital	2	54,147	54,147
Reserves and surplus	3	1,491,171	1,152,504
Minority interest		1	1
Loan funds			
Secured loans	4	3,091,175	2,407,105
Unsecured loans	5	230,844	119,232
Deferred tax liability, net	20(4)	269,641	239,622
		<u>5,136,979</u>	<u>3,972,611</u>
APPLICATION OF FUNDS			
Fixed assets			
Gross block	6	4,594,990	3,792,863
Less: Accumulated depreciation		1,573,421	1,307,487
Net block		3,021,569	2,485,376
Capital work-in-progress		538,526	105,351
		<u>3,560,095</u>	<u>2,590,727</u>
Goodwill on consolidation		320,131	302,224
Investments	7	-	-
Foreign currency monetary item translation difference account		-	7,883
Current assets, loans and advances			
Inventories	8	801,574	627,152
Sundry debtors	9	1,170,531	920,130
Cash and bank balances	10	155,300	227,670
Other current assets	11	71,601	37,857
Loans and advances	12	332,734	228,441
		<u>2,531,740</u>	<u>2,041,250</u>
Current liabilities and provisions			
Current liabilities	13	1,186,084	924,537
Provisions	14	88,903	44,936
		<u>1,274,987</u>	<u>969,473</u>
Net current assets		<u>1,256,753</u>	<u>1,071,777</u>
		<u>5,136,979</u>	<u>3,972,611</u>
Significant accounting policies	1		
Notes to the consolidated financial statement	20		

The schedules referred to above form an integral part of the consolidated 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


Rajesh Arora

Partner
Membership No.: 076124

Place : Bangalore
Date : 28th May 2011

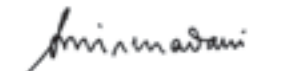

VIJAI KAPUR
Chairman


S GOVINDARAJAN
Director


N RAJAGOPAL
Executive Director and CTO

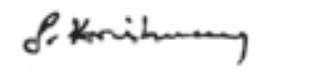

UDAYANT MALHOUTRA
CEO and Managing Director


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

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

	Schedule	For the year ended 31 March 2011	For the year ended 31 March 2010
(₹ in '000)			
Income			
Sale of manufactured products		4,817,658	4,482,227
Less: Excise duty		304,843	229,534
Sale of manufactured products, net		4,512,815	4,252,693
Income from project execution services		436,558	142,379
Service income		1,022	3,825
Other income	15	86,387	52,692
		5,036,782	4,451,589
Expenditure			
Cost of materials consumed	16	2,462,920	2,254,731
Personnel expenses	17	966,237	835,391
Other operating expenses	18	779,342	728,507
		4,208,499	3,818,629
Profit before depreciation, interest, minority interest and tax (EBITDA)		828,283	632,960
Depreciation (net of revaluation reserve adjustment)	6	250,433	225,390
Interest and finance charges	19	274,566	249,225
Profit before minority interest and tax		303,284	158,345
Provision for tax			
- Current tax		62,591	43,888
- Minimum alternate tax credit entitlement		(6,432)	(11,928)
- Deferred tax charge		30,019	21,010
- Wealth tax		343	229
Profit after tax and before minority interest		216,763	105,146
Minority interest		-	-
Profit after tax		216,763	105,146
Balance brought forward from previous year		217,241	170,424
Amount available for appropriation		434,004	275,570
Appropriations			
Dividend:			
- Interim dividend		32,488	24,366
- Proposed dividend		21,659	16,244
- Tax on dividend		8,909	6,901
Transferred to general reserve		14,842	10,818
Balance carried forward		356,106	217,241
		434,004	275,570
Earnings per share - basic and diluted (Equity share par value ₹10 each)		40.03	19.42
Significant accounting policies	1		
Notes to the Consolidated Financial Statements	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



Rajesh Arora
Partner
Membership No.: 076124

Place : Bangalore
Date : 28th May 2011

for and on behalf of the Board of Directors



VIJAI KAPUR
Chairman



S GOVINDARAJAN
Director




N RAJAGOPAL
Executive Director and CTO



UDAYANT MALHOUTRA
CEO and Managing Director



Dr. K APRAMEYAN
Director



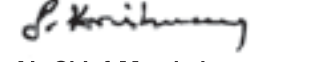
GOVIND MIRCHANDANI
Director



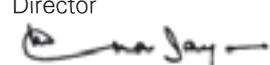
B SESHNATH
Executive Director and CMO



N RAM MOHAN
Financial Controller



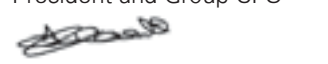
**Air Chief Marshal
S. KRISHNASWAMY (Retd.)**
Director



MALAVIKA JAYARAM
Director



V SUNDER
President and Group CFO



G HARITHA
GM - Compliance & Company
Secretary

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011

(₹ in '000)

	31 March 2011	31 March 2010
A. Cash flow from operating activities:		
Profit before tax	303,284	158,345
Adjustments for:		
Depreciation	250,433	225,390
Interest expense	274,566	249,225
Interest income	(3,535)	(3,490)
Loss on sale of fixed assets	4	1,272
Bad and doubtful debts / advances written off	19,379	1,223
Provision for bad and doubtful debts/ advances	(13,965)	7,764
Liability no longer required written back	-	(996)
Unrealised foreign exchange (gain) /loss	13,587	(16,795)
Amortisation of foreign currency monetary item translation difference account	7,883	36,463
Any other non cash item	15,115	-
Operating cash flow before working capital changes	866,751	658,401
Adjustments for changes in working capital :		
Changes in sundry debtors	(255,815)	36,404
Changes in other receivables	(129,506)	(6,603)
Changes in inventories	(174,424)	6,311
Changes in trade and other payables	251,943	72,375
Changes in provisions	8,774	(1,017)
Adjustment for unrealised foreign exchange gain/(loss)	(13,587)	16,794
Exchange difference on translation of subsidiaries	-	(30,197)
Cash generated from operating activities	554,136	752,468
Income tax paid	(49,666)	(39,291)
Net cash from operating activities	504,470	713,177
B. Cash flow from Investing activities:		
Purchase of fixed assets	(1,042,809)	(220,416)
Proceeds from sale of fixed assets	7,546	3,562
Interest received	3,535	(39)
Goodwill on consolidation	(17,907)	20,580
Net cash used in investing activities	(1,049,635)	(196,313)

31 March 2011

31 March 2010

C. Cash flow from financing activities:

Proceeds from borrowings	928,817	173,848
Repayment of borrowings	(567,046)	(318,751)
Deferral sales tax payment	(3,306)	-
Repayment of public deposits (net)	10,314	12,345
Proceeds from cash credits/ working capital loans (net)	323,033	(28,580)
Proceeds from buyer's credit (net)	104,603	(74,800)
Interest paid	(267,675)	(247,652)
Dividend paid	(47,036)	(45,473)
Dividend tax paid	(8,909)	(7,822)
Net cash from/(used in) financing activities	472,795	(536,885)
Net (decrease) in cash and cash equivalents	(72,370)	(20,021)
Cash and cash equivalents at the beginning of the year	227,670	247,691
Cash and cash equivalents at the end of the year*	155,300	227,670
	(72,370)	(20,021)

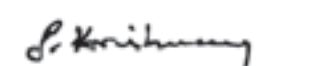
* includes restricted term deposits ₹50,620 (Previous year ₹27,684)


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


VIJAI KAPUR
Chairman

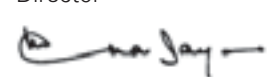

Dr. K APRAMEYAN
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Air Chief Marshal
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Director


Rajesh Arora
Partner
Membership No.: 076124


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Director


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Executive Director and CTO


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V SUNDER
President and Group CFO

Place : Bangalore
Date : 28th May 2011


UDAYANT MALHOUTRA
CEO and Managing Director


N RAM MOHAN
Financial Controller


G HARITHA
GM - Compliance & Company
Secretary

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, other than assets revalued. GAAP comprises of accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956, other pronouncements of the Institute of Chartered Accountants of India, the provisions of the 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 Erla Automotive Limited	India	99.99
3	JKM Global Pte Limited	Singapore	100
4	Dynamatic Limited	United Kingdom	100
5	DM 38 Limited	United Kingdom	100
6	Yew Tree Investments Limited	United Kingdom	100
7	Oldland Aerospace Limited	United Kingdom	100

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 ₹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 and 2010-11. Other than land, 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 or 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 schemes 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:

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.

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 1st 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 contract 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 1st 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. 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.

s. 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.

t. 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.

u. Cash and cash equivalent

Cash and cash equivalents comprise cash balances on hand and cash balance and deposits with banks.

As at
31 March 2011

As at
31 March 2010

2. Share capital**Authorised:**

20,000,000 (Previous year: 20,000,000)

equity shares of ₹10 each

200,000

200,000

500,000 (Previous year: 500,000) redeemable

cumulative preference shares of ₹100 each

50,000

50,000

250,000**250,000****Issued, subscribed and paid-up:**

5,414,703 (Previous year: 5,414,703)

equity shares of ₹10 each fully paid up

54,147

54,147

54,147**54,147****3. Reserves and surplus**

Capital reserve

4,000

4,000

Capital redemption reserve

24,000

24,000

Reserve on amalgamation

15,429

15,429

Securities premium account

731,137

731,137

Revaluation reserve

Balance at the beginning of the year

16,739

17,081

Additions during the year (refer to note 15 of schedule 20)

185,616

-

(Less) : Additional depreciation charge

on revalued fixed assets

(342)**202,013****(342)**

16,739

Hedge reserve-debit balance

(refer to note 12 of schedule 20)

Balance at the beginning of the year

(12,064)

63,544

(Additions)/deductions during the year

(15,429)**(27,493)****(51,480)****(12,064)**

General reserve

Balance at the beginning of the year

284,489

273,671

Add: Transferred from profit and loss account

14,842**299,331****10,818**

284,489

Foreign currency translation reserve - debit balance

Balance at the beginning of the year

(128,467)

(104,740)

(Additions)/deductions during the year

15,115**(113,352)****(23,727)****(128,467)**

Profit and loss account

356,106

217,241

1,491,171**1,152,504**

(₹ in '000)

	As at 31 March 2011	As at 31 March 2010
4. Secured loans		
From banks		
Rupee term loan *	799,430	676,476
Foreign currency term loan *	1,191,261	1,016,309
Rupee cash credit and working capital loan #	770,958	451,862
Foreign currency cash credit and working capital loan #	254,490	250,553
Vehicle loan^	18,200	7,163
From others		
Hire purchase plant and machinery	53,685	2,736
Vehicle loan^	3,151	2,006
	3,091,175	2,407,105

* 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 ₹21,952 (Previous year: ₹14,442)]	39,885	29,521
Foreign currency buyer's credit [Repayable within one year ₹149,857 (Previous year: ₹45,253)]	149,857	45,253
Short term loans - others		
- Inter corporate deposits	-	50
Sales tax deferral [Repayable within one year ₹6,711 (Previous year: ₹ 3,690)]	41,102	44,408
	230,844	119,232

6. FIXED ASSETS

(₹ in '000)

	Gross block					Accumulated depreciation					Net block	
	As at 1 April 2010	Translation adjustment	Additions*	Deletions/ adjustments	As at 31 March 2011	As at 1 April 2010	Translation adjustment	Charge for the year	Deletions/ adjustments	As at 31 March 2011	As at 31 March 2011	As at 31 March 2010
Tangible assets												
Land and development (note 1 and 2)	216,618	1,125	216,562	-	434,305	-	-	-	-	434,305	434,305	216,618
Buildings (note 1)	554,926	2,713	53,804	-	611,443	65,913	165	19,251	-	526,114	526,114	489,013
Plant and machinery (note 3)	2,394,336	24,579	369,371	4,761	2,793,525	992,531	13,406	166,045	1,682	1,613,225	1,613,225	1,401,805
Measuring instruments	21,701	-	3,863	-	25,564	11,070	-	589	-	13,905	13,905	10,631
Electrical installations (note 1)	75,409	-	5,379	-	80,788	17,711	-	3,571	-	59,506	59,506	57,698
Data processing equipment	85,050	1,376	7,073	66	93,433	62,670	983	9,814	61	20,027	20,027	22,380
Office equipment	27,477	441	10,849	-	38,767	17,827	237	3,769	-	16,934	16,934	9,650
Furniture and fixtures	37,648	680	798	1,822	37,304	16,806	163	2,518	615	18,432	18,432	20,842
Tools, dies and moulds	140,003	2,838	38,388	-	181,229	50,683	1,428	16,514	-	112,604	112,604	89,320
Vehicles	59,220	180	21,436	7,855	72,981	18,643	63	5,812	4,596	53,059	53,059	40,577
Motor Boat	-	-	38,117	-	38,117	-	-	-	-	38,117	38,117	-
Intangible assets												
Application software	36,377	-	2,220	-	38,597	26,558	-	4,187	-	7,852	7,852	9,819
Prototype development	75,585	-	9,811	-	85,396	6,523	-	8,101	-	70,772	70,772	69,062
Non compete fee	68,513	5,028	-	-	73,541	20,552	1,834	14,438	-	36,717	36,717	47,961
Total	3,792,863	38,960	777,671	14,504	4,594,990	1,307,487	18,279	254,609	6,954	1,573,421	3,021,569	2,485,376
Previous year	3,435,651	(34,671)	398,424	6,541	3,792,863	1,098,065	(18,860)	229,989	1,707	1,307,487	2,485,376	

Notes:

- Gross block of land and development, buildings and electrical installations includes value added on revaluation ₹202,013 (previous year ₹16,739) (refer to note 15 of schedule 20).
- Land and development includes leasehold land ₹11,134 (previous year ₹11,134)
- Plant and machinery is net of subsidy received from the Tamil Nadu Industrial Investment Corporation Limited ₹1,877 (previous year ₹1,877)
- Depreciation for the year is reflected as follows:

Depreciation as per Profit and Loss Account	2010-11
Transfer from Revaluation reserve	250,433
Depreciation capitalised for intangible assets (including CWIP thereof)	342
	3,834
	<u>254,609</u>

* Includes ₹3,381 (previous year gain ₹35,713) pertaining to loss on foreign currency loans, capitalised as per Notification no. GSR 225(E) dated 31st March 2009 issued by Ministry of Corporate Affairs.

(₹ in '000)

	As at 31 March 2011	As at 31 March 2010
7. Investments-in shares		
Long term-other than trade (at cost) - unquoted		
921,530 (Previous year: 921,530) equity shares of ₹10 each fully paid up of Murablack (India) Ltd.	<u>9,215</u>	<u>9,215</u>
	9,215	9,215
Less: Provision for dimunition in value of investments	<u>9,215</u>	<u>9,215</u>
	<u>-</u>	<u>-</u>
8. Inventories		
Raw materials and components	378,885	298,171
Rose plants	8,614	9,911
Stores and spares	58,404	48,609
Work-in-progress	150,284	147,955
Finished goods	205,387	122,506
	<u>801,574</u>	<u>627,152</u>
9. Sundry debtors		
<i>Unsecured</i>		
Debts outstanding for a period exceeding six months		
Considered good	121,260	115,268
Considered doubtful	14,158	28,123
Other debts		
Considered good	1,049,271	804,862
Considered doubtful	-	-
	<u>1,184,689</u>	<u>948,253</u>
Less: Provision for doubtful debts	14,158	28,123
	<u>1,170,531</u>	<u>920,130</u>
10. Cash and bank balances		
Cash on hand	397	477
Balance with banks:		
Current accounts	102,823	189,266
Fixed deposits#	4,121	12,742
Margin money accounts*	44,913	23,082
Unpaid dividend accounts	3,046	2,103
	<u>155,300</u>	<u>227,670</u>
* Under lien against bank guarantees		
# Held under section 3A of Companies (Acceptance of deposits) Rules,1975, under Companies Act, 1956.		
11. Other current assets		
Unbilled revenues	71,601	37,857
	<u>71,601</u>	<u>37,857</u>

	As at 31 March 2011	As at 31 March 2010
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12. Loans and advances*(Unsecured, considered good except as otherwise stated)*

Advances recoverable in cash or in kind or for value to be received	160,895	73,453
Balance with customs, excise and sales tax authorities	59,347	52,139
Loan to employees	2,626	2,149
Other deposits	29,839	32,273
Prepaid expenses	31,206	41,797
Minimum alternative tax credit entitlement	30,504	24,072
Income tax (net of provision)	15,572	-
Fringe benefit tax (net of provision)	2,745	2,558
	332,734	228,441

(Unsecured, considered doubtful)

Advances recoverable in cash or in kind or for value to be received	-	953
Less: Provision for doubtful advances	-	953
	332,734	228,441

13. Current liabilities

Acceptances	311,550	264,743
Sundry creditors	705,575	561,633
Advance from customers	30,799	8,051
Accrued salaries and benefits	30,209	27,192
Deposits received from dealers	4,450	3,625
Forward contract liability (refer to note 12 of schedule 20)	27,493	17,558
Interest accrued but not due	19,902	13,011
Unclaimed dividends	3,046	2,102
Other liabilities	53,060	26,622
	1,186,084	924,537

14. Provisions

Wealth tax	290	214
Gratuity	6,893	1,452
Compensated absences	16,226	13,133
Warranty	5,836	5,596
Income tax (net of advance tax)	34,486	5,536
Proposed final dividend (including tax thereon ₹3,513 (previous year: ₹2,761))	25,172	19,005
	88,903	44,936

	For the year ended 31 March 2011	For the year ended 31 March 2010
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15. Other income

Interest on bank deposits	3,535	3,490
Lease rent	683	683
Sale of scrap	62,069	44,980
Liabilities no longer required written back	-	996
Foreign exchange gain (net)	17,421	-
Miscellaneous income	2,679	2,543
	86,387	52,692

16. Cost of materials consumed

Raw materials and components consumed	2,549,089	2,183,601
(Increase)/decrease in work in progress	(2,329)	(47,996)
(Increase)/decrease in finished goods	(82,881)	120,029
(Increase) in excise duty	(959)	(903)
	2,462,920	2,254,731

(₹ in '000)

For the year ended
31 March 2011 For the year ended
31 March 2010

17. Personnel expenses

Salaries, wages and bonus expenses	863,274	730,417
Contribution to provident and other funds	44,449	35,742
Staff welfare	58,514	69,232
	<u>966,237</u>	<u>835,391</u>

18. Other operating expenses

Consumption of stores and spares	170,832	153,455
Power and fuel	91,789	88,439
Carriage outward	71,713	46,052
Packing expenses	26,237	18,840
Rent	33,209	40,574
Rates and taxes	20,075	28,203
Insurance	22,361	16,176
Repairs and maintenance		
- Plant and machinery	72,939	64,187
- Buildings	6,285	6,868
- Others	51,712	45,506
Security charges	6,946	10,139
Advertisement and sales promotion	8,545	3,171
Cash discount	2,946	3,828
Travelling and conveyance	62,729	56,115
Communication	10,930	10,825
Printing and stationery	7,857	6,700
Legal and professional fees	42,564	37,891
Merger Expenses	6,483	-
Directors' sitting fees	1,335	1,230
Exchange loss (net)	-	10,883
Amortisation of foreign currency monetary item translation difference account	7,883	36,463
Donations	187	372
Bad and doubtful debts/ advances written off	19,379	1,223
Provision for bad and doubtful debts/ advances	7,361	7,764
Loss on sale of fixed assets [net of profit on sale ₹521 (previous year: ₹nil)]	4	1,272
Warranty	6,998	12,075
Miscellaneous	20,043	20,256
	<u>779,342</u>	<u>728,507</u>

19. Interest and finance charges

On term loans	178,291	161,864
On others	94,871	83,396
Bank charges	24,847	18,552
	<u>298,009</u>	<u>263,812</u>
Less : Interest capitalised as per Accounting Standard 16	23,443	14,587
	<u>274,566</u>	<u>249,225</u>

Particulars	As at 31 March 2011	As at 31 March 2010
1. Capital commitment		
Estimated amount of contracts to be executed on capital account (net of advances) and not provided for	144,849	104,627

2. Contingent liabilities

The details of contingent liabilities are as under:

Export obligation	-	29,296
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3. 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 ₹33,209 (previous year ₹40,574).
- b) The Company has entered into operating leases for machines. Lease rental income under operating lease during the period was ₹683 (Previous year ₹683). The gross carrying amount, accumulated depreciation and the depreciation charge for the year ended 31st March 2011 and 31st March 2010 for the machinery leased by the Company are as set below:

Particulars	As at 31 March 2011	As at 31 March 2010
Gross block	21,333	21,333
Accumulated depreciation	18,479	18,114
Depreciation for the year	365	567

4. Deferred taxation

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

Particulars	As at 31 March 2011	As at 31 March 2010
Deferred tax liability:		
Excess of depreciation allowable under Income Tax Act, 1961 over depreciation provided in financial statements	(280,597)	(254,509)
Deferred tax assets:		
Provision for gratuity, compensated absences and bonus	6,584	3,877
Provision for doubtful debts and advances	2,643	7,788
Disallowances under section 40(a) / 43B of Income Tax Act, 1961	1,729	3,222
Deferred tax assets/liability (net)	(269,641)	(239,622)

Particulars	As at 31 March 2011	As at 31 March 2010
5. Gratuity Plan		
The following tables set out the status of the funded gratuity plan as required under revised AS 15 'Employee benefits'.		
Change in defined benefit obligation		
Opening defined benefit obligation	50,810	45,609
Current service cost	15,644	5,836
Interest cost	3,916	3,446
Benefits settled	(3,740)	(3,866)
Actuarial (losses)/Gain	(556)	(215)
Closing defined benefit obligation	66,074	50,810
Change in plan assets		
Plan assets at the beginning of the year, at fair value	49,358	41,300
Expected return on plan assets (estimated)	4,597	3,446
Contributions	8,755	8,005
Benefits settled	(3,740)	(3,866)
Actuarial Gain/(losses)	211	473
Plan assets at the end of the year, at fair value	59,181	49,358
Reconciliation of present value of the obligation and the fair value of the plan assets		
Fair value of plan assets at the end of the year	59,181	49,358
Present value of the defined benefit obligations at the end of the year	66,074	50,810
Asset/(liability) recognised in the balance sheet	(6,893)	(1,452)
Gratuity cost for the period		
Current service cost	15,644	5,836
Interest on defined benefit obligation	3,916	3,446
Net actuarial (losses)/Gain recognised in year	(345)	(688)
Return on plan assets	(4,597)	(3,446)
Total, included in "Employee benefit expense"	14,618	5,148
Assumptions at the valuation date		
Discount factor	8%	8%
Expected rate of return on plan assets	8%	8%
Expected rate of salary increase	6%	5%
Attrition rate	5%	5%
Retirement age	58	58

Particulars	For the year ended 31 March 2011	For the year ended 31 March 2010
6. Earnings per share		
Calculation of basic and diluted shares used in computing earnings per share:		
Profit after tax (₹ in '000)	216,763	105,146
Number of weighted average shares considered for calculation of basic earning per share	5,414,703	5,414,703
Basic earnings per share of face value of ₹10 each	40.03	19.42
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:		
Opening balance	5,596	3,508
Provision	6,998	12,075
Utilized during the year	(6,758)	(9,987)
Closing balance	5,836	5,596

8. Related party transactions:

Description of relationship	Name of related Party	
Parties where control exists	Udayant Malhoutra (UM)	% of voting power - 54.80
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) Greenerth 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), Dynamatic Limited, UK f) Raymond Keith Lawton - Executive Director and Chief Operating Officer (RKL), Dynamatic Limited, UK g) James Tucker - Operations Director, DM 38 Limited, UK (JT) h) Clarie Tucker - Finance and Systems Director, DM38 Limited, UK (CT)	
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 31st March 2011 and balance outstanding as at 31st March 2011 with related parties:

Related party	2011			2010		
	Other Related Entities	Key Management Personnel	Relatives	Other Related Entities	Key Management Personnel	Relatives
Expenses						
<i>Rent</i>						
- VPL	-	-	-	175	-	-
- JHPL	420	-	-	224	-	-
- PM	-	-	1,860	-	-	1,600
- UM	-	-	310	-	-	300
<i>Salaries and wages</i>						
- JHRPL	60,651	-	-	39,921	-	-
<i>Managerial remuneration</i>						
- UM	-	2,766	-	-	2,072	-
- NR	-	3,407	-	-	2,594	-
- VS	-	4,486	-	-	3,099	-
- BS	-	3,303	-	-	2,514	-
- RKL	-	6,149	-	-	6,001	-
- IP	-	5,550	-	-	5,310	-
- JT	-	8,787	-	-	8,736	-
- CT	-	8,787	-	-	8,141	-
Dividend						
<i>Interim dividend</i>						
- JHPL	4,819	-	-	4,417	-	-
- JOIPL	2,609	-	-	2,341	-	-
- UMCPL	4,131	-	-	3,636	-	-
- UM	-	5,809	-	-	5,176	-
- BM	-	-	30	-	-	27
- Others	533	-	1	540	-	1
<i>Final dividend</i>						
- JHPL	2,409	-	-	1,205	-	-
- JOIPL	1,304	-	-	652	-	-
- UMCPL	2,066	-	-	986	-	-
- UM	-	2,905	-	-	1,403	-
- BM	-	-	15	-	-	7
- Others	267	-	1	180	-	0.15
Balances outstanding						
<i>Payables</i>						
- JHRPL	956	-	-	423	-	-

9. Segment information

Information about Primary Business Segments:

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

- Hydraulic and Precision Engineering ("HPE") - comprising Hydraulic Pumps, Hand Pumps, Lift assemblies, Valves, Powerpacks, 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 31st March 2011

(₹ in '000)

Particulars	HPE	AC	AUC	ASP	WF	RF	Unallocated	Total
A. Primary Segment reporting								
(i) Revenue								
External - sales and services	2,303,731	337,104	1,924,928	1,024,156	54,628	-	-	5,644,547
Less: excise duty	(108,350)	(673)	(194,391)	(1,429)	-	-	-	(304,843)
Inter-segment sales and services	(33,698)	(310,601)	-	-	(45,010)	-	-	(389,309)
Other income	25,348	9,947	18,147	14,158	-	11,775	30,375	109,750
Inter-segment income	-	-	-	(3,143)	-	(10,800)	(9,420)	(23,363)
Total Revenue	2,187,031	35,777	1,748,684	1,033,742	9,618	975	20,955	5,036,782
(ii) Results								
Segment result - EBIDA-profit/(loss)	252,597	16,376	102,751	3,90,678	42,124	(1,044)	24,801	828,283
(Less): depreciation	(56,944)	(23,549)	(82,127)	(72,163)	(14,909)	(741)	-	(250,433)
Segment result - profit/(loss)	195,653	(7,173)	20,624	318,515	27,215	(1,785)	24,801	577,850
(Less): Interest expense	-	-	-	-	-	-	(274,566)	(274,566)
Profit/(loss) before taxation	195,653	(7,173)	20,624	318,515	27,215	(1,785)	(249,765)	303,284
(Less): Provision for taxation	-	-	-	-	-	-	(86,521)	(86,521)
Net profit after tax	195,652	(7,173)	20,624	318,515	27,215	(1,785)	(336,285)	216,763
(iii) Other Information								
Segment assets	2,127,663	319,028	2,010,694	1,489,495	294,675	50,061	120,350	6,411,966
Segment liabilities	359,490	133,532	544,852	315,346	1,572	221	3,511,634	4,866,647
Capital expenditure	277,902	298,695	6,448	588,231	-	23,693	15,877	1,210,846
Depreciation	56,944	23,549	82,127	72,163	14,909	741	-	250,433
Other non-cash expenses	3,947	1,015	7,412	241	-	2,287	-	14,902

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

(₹ in '000)

Particulars	HPE	AC	AUC	ASP	WF	RF	Unallocated	Total
A. Primary Segment reporting								
(i) Revenue								
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)
Total Revenue	1,863,456	23,818	1,761,840	788,722	10,263	-	3,490	4,451,589
(ii) Results								
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)
Profit/(loss) before taxation	98,545	20,148	105,100	143,258	26,243	(4,196)	(230,753)	158,345
(Less): Provision for taxation	-	-	-	-	-	-	(53,199)	(53,199)
Net profit after tax	98,545	20,148	105,100	143,258	26,243	(4,196)	(283,952)	105,146
(iii) Other Information								
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

B. Secondary Segment Reporting

Information relating to geographical segment for the year ended 31st March 2011.

Particulars	31 March 2011			31 March 2010		
	Asia	Europe	Total	Asia	Europe	Total
Revenue	2,976,205	2,060,577	5,036,782	2,651,200	1,800,389	4,451,589
Carrying amount of segment assets	5,081,542	1,330,424	6,411,966	3,870,186	1,071,898	4,942,084
Capital expenditure	1,104,418	106,428	1,210,846	169,658	23,627	193,285

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

Particulars	For the year ended 31 March 2011	For the year ended 31 March 2010
Cost incurred and recognized profits net of recognized losses	71,601	37,857
Unbilled revenue	71,601	37,857
Customer advances	30,639	2,623
Retention amount due from customers	-	-

11. The Company has outstanding forward contracts aggregating to USD 2.06 million (previous year USD 3.81 million) as of 31st March 2011.

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 1st April 2008 applying the hedging criteria. The mark to market gain on this contract at the date of designation of the hedge aggregating ₹11,353 (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 ₹16,140. The cash flow hedge is expected to occur in the next four years, when the effect in the Profit and Loss Account would be accounted for.

The details as at balance sheet date are as follows:

(₹ in '000)

Particulars	As at 31 March 2011	As at 31 March 2010
Outstanding contract value in foreign currency (GBP)(Previous year - USD)	19,050	3,000
Equivalent Indian Rupees (INR)	1,469,460	135,420
Mark to market value	27,493	12,064

13. These Consolidated 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 Board of Directors vide their meeting dated 7th May 2011 have decided to demerge the "Automotive Component" division of the Company into JKM Erla Automotive Limited (JEAL) (wholly owned subsidiary of the Company) w.e.f. 1st April 2011. As per the proposed scheme of demerger, all the assets and liabilities of the "Automotive Component" would be transferred to JEAL. Accordingly, the Company has submitted the demerger scheme for the approval of the Bombay Stock Exchange and National Stock Exchange Limited on 12th May 2011. The Company will proceed to file an application to the High Court once the approval has been received.

15. The Company has revalued the assets of Automotive Components as at 31st March 2011 based on the valuation report provided by an independent valuer. As per the valuation report, the value of land and development has gone up by ₹185,616 as compared to the carrying value in the books. The Company has increased the value of land and development by ₹185,616 and credited the amount to revaluation reserve.

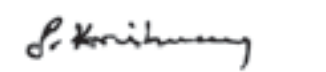
16. Previous year's figures have been re-grouped/ re-classified, wherever necessary, to conform to the current year presentation.

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


VIJAI KAPUR
Chairman


Dr. K APRAMEYAN
Director


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



Rajesh Arora
Partner
Membership No.: 076124


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

Place : Bangalore
Date : 28th May 2011


UDAYANT MALHOUTRA
CEO and Managing Director


N RAM MOHAN
Financial Controller


G HARITHA
GM - Compliance & Company
Secretary

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DIRECTORS' REPORT TO SHAREHOLDERS

Your Directors have pleasure in presenting the Thirty Sixth Annual Report together with the Audited Statement of Accounts for the year ended 31st March, 2011.

1. FINANCIAL RESULTS

The Financial Results of the Company for the year ended 31st March, 2011, were as follows:

(₹ in Lacs)

Particulars	Standalone		Consolidated	
	Year Ended 31 March 2011	Year Ended 31 March 2010	Year Ended 31 March 2011	Year Ended 31 March 2010
Gross Sales	38,478.30	32,067.61	52,552.38	46,284.31
Net Sales	35,429.87	29,772.27	49,503.95	43,988.97
Profit (Before Interest, Depreciation & Taxation) (EBITDA)	6,621.86	5,393.46	8,329.51	6,329.60
Interest & Finance Charges	2,405.43	2,142.65	2,745.66	2,492.25
Depreciation	2,040.65	1,856.63	2,504.33	2,253.90
Net Profit Before Taxation and Extraordinary item	2,175.78	1,394.18	3,079.52	1,583.45
Extraordinary items	-	-	46.68	-
Net Profit Before Taxation and after Extraordinary item	2,175.78	1,394.18	3,032.84	1,583.45
Provision of Taxation:				
- Current Tax	441.70	218.17	615.34	438.88
- Minimum Alternate Tax Credit Entitlement	(64.32)	(119.28)	(64.32)	(119.28)
- Deferred Tax Charge	310.76	211.26	310.76	210.10
- Wealth Tax	3.43	2.29	3.43	2.29
Net Profit After Tax	1,484.21	1,081.74	2,167.63	1,051.46
Balance brought forward from previous year	3,324.83	2,826.38	2,172.41	1,704.24
Amount available for appropriation	4,809.04	3,908.12	4,340.04	2,755.70
Appropriations				
Dividend on Equity Shares – Interim	324.88	243.66	324.88	243.66
Proposed Final Dividend on Equity Shares	216.59	162.44	216.59	162.44
Tax on Dividend	89.09	69.01	89.09	69.01
Transfer to General Reserve	148.42	108.18	148.42	108.18
Balance carried to Balance Sheet	4,030.06	3,324.83	3,561.06	2,172.41

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 60% and paid on 5,414,703 Equity Shares absorbing ₹32,488,218/-. Your Directors recommend a Final Dividend of 40% on 5,414,703 Equity Shares of ₹10/- each, absorbing ₹21,658,812/- for the year under report. Hence the Total Dividend payout for the year under review is ₹54,147,030/- (exclusive of tax).

TRANSFER TO RESERVES

Your Directors propose to transfer ₹148.42 lacs to General Reserve, during the year under report. An amount of ₹705.23 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 1st April, 2008, applying the hedging criteria. The movement in the Mark To Market (MTM), subsequent to the designation as a cash flow hedge, amounting to ₹274.93 lacs, has been accounted under Hedge Reserve Account.

Pursuant to Notification No. G.S.R. 225(E) dated 31st March, 2009 issued by the Ministry of Corporate Affairs, the Company had opted (on 31st March, 2009) to adjust the exchange differences relating to long term monetary items with retrospective effect from 1st April, 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 gain amounting to ₹357.17 lacs and foreign exchange loss amounting to ₹33.81 lacs for the year ended 31st March, 2010 and 31st March, 2011 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 and sales during the period under review.

Total income on a consolidated basis was ₹50,367.82 lacs, as against ₹44,515.89 lacs in 2009-10.

EBITDA on a consolidated basis was ₹8,282.83 lacs as against ₹6,329.60 lacs in 2009-10.

Net Profit Before Tax on a consolidated basis was ₹3,032.84 lacs, as against ₹1583.45 lacs in 2009-10.

Net Profit After Tax on a consolidated basis was ₹2,167.63 lacs, as against ₹1,051.46 lacs in 2009-10.

The Hydraulics and Precision Engineering business grew to ₹23,037.31 lacs from ₹19,357.84 lacs in 2010. Profit (Before Interest & Tax) grew from ₹985.45 lacs to ₹1,956.53 lacs. This includes the turnover from the Hydraulics division of Dynamatic Limited, UK, a subsidiary of your Company, to the extent of ₹8,534.08 lacs and Profit (Before Interest & Tax) of ₹17.52 lacs.

The Aerospace business grew from ₹7,821.34 lacs to ₹10,241.56 lacs and Profit (Before Interest & Tax) grew from ₹1,432.58 lacs to ₹3,185.15 lacs. This includes the turnover from the Aerospace division of Dynamatic Limited, UK, a subsidiary of your Company, to the extent of ₹5,875.99 lacs and Profit (Before Interest & Tax) of ₹1,060.72 lacs.

The Aluminium Castings business declined from ₹3,496.27 lacs to ₹3371.04 lacs and Profit (Before Interest & Tax) declined from ₹201.48 lacs to a loss of ₹71.73 lacs.

The Automotive business grew from ₹19,004.49 lacs to ₹19,249.28 lacs while Profit (Before Interest & Tax) declined from ₹1,051.00 lacs to ₹206.24 lacs.

Exports from India have grown at 87% with sales of ₹6,728.18 lacs against the previous year's ₹3,604.12 lacs.

Capital expenditure

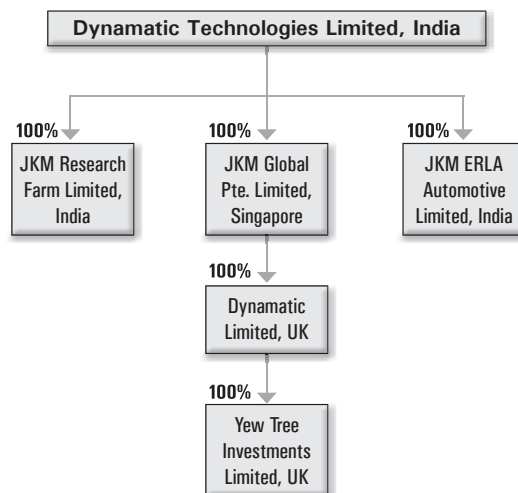
During the year, your Company incurred capital expenditure of ₹847.49 lacs for physical infrastructure, ₹4,952.75 lacs for technological infrastructure and ₹120.31 lacs for procurement of intangible assets.

Significant investments have been made in building infrastructure, state-of-the-art machinery, design software, data security, information systems, design and development activities; for the future benefits of your Company.

2. SUBSIDIARIES

Your Company has five Subsidiaries, the brief particulars of which are given below.

Dynamatic Technologies Limited, Holding Company and Subsidiaries' Structure as on 31st March, 2011



INDIAN, WHOLLY OWNED SUBSIDIARIES

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 ERLA Automotive Limited, India (JKM ERLA)

During the year your Company, had promoted JKM ERLA Automotive limited, India, a Wholly Owned Subsidiary of the Company.

Dynamatic Technologies Limited, through its Wholly Owned Subsidiary, JKM Erla Automotive Limited, is in the process of acquiring Eisenwerk Erla GmbH Germany from the Chennai based SANMAR Group.

Eisenwerk Erla GmbH generates revenues in excess of Euro 100 million between its two units located in Germany and India.

This acquisition is an important milestone for your Company.

The potential advantages of the acquisition are:

- Global player in the exhaust and turbocharger segments of the automotive industry.
- Manufacturing locations in Europe and Asia.
- Experienced management team.
- Provides the Company 100% ownership of one of the finest ferrous foundries in Europe, capable of manufacturing extremely intricate ferrous castings, from difficult-to-cast materials.
- Marquee customers in the Automotive and Turbocharger markets.

Dynamatic Technologies Limited had entered the automotive business in 1997 through its 73% owned joint-venture with Daerim Enterprise Company Limited, Korea. JKM Daerim Automotive Limited commenced business as a supplier of critical engine and transmission parts to Hyundai Motor India Limited and has grown to be a partner to all major automotive Original Equipment Manufacturers (OEM's) in the country. In 2008, this Subsidiary was merged with your Company.

Your Company is in the process of de-merging its existing Automotive business into JKM Erla Automotive Limited, a Wholly Owned Subsidiary of the Company.

The Board of Directors have approved the Scheme of Arrangement by way of the de-merger of the Automotive unit into the Company subject to the approval of shareholders and compliance with the relevant provisions of the Companies Act, 1956.

The Company will soon be sending you a separate Notice for your approval in the said matter.

OVERSEAS, WHOLLY OWNED SUBSIDIARIES

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

Dynamic Limited, Swindon, UK, (DLUK) is a Wholly Owned Subsidiary of your Company held through JKM Global Pte. Limited, Singapore.

During the year, the UK facilities have been re-structured by way of merging Oldland Aerospace with Dynamic Limited, effective from 31st October, 2010. **Yew Tree Investments Limited** and **Dynamic Limited** are the subsidiaries of JKM Global Pte Limited. Post restructure, DLUK has its Hydraulics unit in Swindon and its Aerospace unit, Dynamic Oldland Aerospace™ in Bristol.

The Hydraulics unit of DLUK located in Swindon, England, produces high performance engineered hydraulic products. The plant has over 50 years of experience in gear pump design and manufactures 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.

Dynamic Oldland Aerospace™, located in Bristol, is a leader in Aeronautical Precision Engineering and is currently working on components for most of the Airbus family of aircraft including the A300/310, A320, A330/340, A380 and A400M. Central to the Dynamic-Oldland's approach is their commitment to a continual improvement program based on Lean & Agile engineering principles.

Yew Tree Investments Limited, Bristol, UK (YTIL) is a Wholly Owned Subsidiary of Dynamic Limited, UK.

With the restructuring of the UK Subsidiaries, Oldland Aerospace Limited and DM 38 Limited have become dormant companies during the year under review.

REPORT ON SUBSIDIARY COMPANIES

As per Section 212 of the Companies Act, 1956, we are required to attach Directors Report, Balance Sheet and Profit and Loss Account of our Subsidiaries to this Report. The Ministry of Corporate Affairs, Government of India vide its Circular No. 2/2011 dated 8th February, 2011, has provided

an exemption to the companies from complying with Section 212, provided such companies publish audited consolidated financial statements in the annual report. However, a statement showing the relevant details of the Subsidiaries is enclosed as **ANNEXURE - II**, forming part of this report. Accordingly, the Annual Report does not contain the financial statements of our Subsidiaries. The audited annual accounts and related information of our subsidiaries, where applicable will be made available on request.

The financial performance and the review of Business of DLUK and JKMRf are attached forming part of this Report.

These documents will also be available for inspection at the registered office during business hours at Bangalore, India. The same will also be published on our website at **www.dynamics.com**

3. RESEARCH & DEVELOPMENT

*Your Company is a repository of diverse technologies and has transformed itself into a knowledge-based organization through sustained Research & Development efforts. All technology development efforts are guided at the Board level 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 Bangalore, spread over an area of 40,000 sq. ft. houses design laboratories viz. **Dynamic® 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.*

Intellectual Property

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

Your Company has defined an Intellectual Property (IP) strategy to build an effective portfolio for future monetization, collaboration and risk mitigation, focussing on future technologies.

Dynamic Technologies owns the following Patents for various Products:

- **From India**
Four - (One International Patent, three from the European Union).
- **From England**
Eleven - (11 UK, 1 Italian and 1 US patent).

In addition, your Company has two patents pending in multiple jurisdictions, awaiting registration.

Dynamic® employs over 60 Scientists and 600 engineers and technicians with expertise in Mechanical Engineering, Advanced Computer Aided Engineering, Computer Aided Manufacture, Materials & Metallurgical Engineering, Fluid Dynamics, Defence & Aerospace Research. The state-of-the-art JKM Science Center brings together Design Engineering, Development, Prototyping, Metallurgical and Manufacturing Infrastructure enabling your Company to comprehensively address the needs of its global customers.

The **Dynamic® 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 Daventry, JCB, Terex, Mahindra & Mahindra etc. During the year, your Company has successfully launched these new products in India and globally.

The Dynamic Oldland Aerospace™, in Bristol, England possesses people having specialized skill sets who are one of the few specialist in CNC Programming, globally. Improving process run times, reduction in cycle time, optimizing machining strategies and high feed tooling been achieved to optimize component by using new processes, use of latest cutting tools and fresh approach to the product.

Your Company's Wholly Owned Subsidiary, JKM Research Farm Limited, operates a unique facility for testing and analysing complete aggregates and systems for mobile equipment.

4. QUALITY MANAGEMENT SYSTEM (QMS)

Dynamic® Hydraulics

During the year your Company has successfully completed surveillance audits to ISO:9001 specifications for, Quality Management System and also to ISO:14001 specifications for its Environmental Management System. Your Company's QMS which is compliant to ISO standards since 1999, has evolved and matured and is system driven.

Your Company has started addressing and implementing health and safety activities for certification to Occupational Health & Safety Assessment Series (OHSAS) standards. The activities are focused on health & safety of its employees on the shop floor. Awareness campaigns have been undertaken to enforce the use of Personnel Protective Equipment (PPE) at work. At the same time, the Company has been attempting to merge the EMS & OHSAS requirements into a common management system called Integrated Management System. This will avoid unnecessary duplication of work in monitoring and maintenance of records. The audits for both systems can also be combined and carried out at the same time.

The Dynamic® Quality Management System (DQMS) addresses the quality requirements and management expectations set out by the global major players such as John Deere, Cummins, CNH, Mahindra & Mahindra etc. DQMS 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, Employee Participation Program (EPP) etc.

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

Supply Chain Management and Productivity

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

The demand for hydraulic pumps has been growing rapidly and keeping pace with this demand has been a challenging task. Your Company's investment in the capital equipment has been the highest in this year. New generation CNC machines have been added to the production line to increase its capacity. The production capacity has been ramped up by 30% in the past two quarters. To create space for the new machines and test rigs, a new unit is being set-up close to the main factory. All efforts have been made to keep the operational costs as low as possible.

Dynamic Limited, Hydraulics, UK, is accredited to ISO 9001:2008 standards and has recently renewed its certification from British Standards Institute (BSI). Dynamic Limited's lean initiatives, continue to be the focus of all employees using 5S techniques. The UK facilities continue to have 0 (zero) Defects per million and 100% on time delivery as reported in the John Deere supplier web site JDSN.

JKM Automotive™ and Dynametal® continues to strengthen its Quality and Safety standards by upgrading to the latest versions of existing certifications. The divisions are certified to Quality, Occupational Health and Safety and Environmental Management Systems such as ISO / TS 16949, OHSAS 18000, ISO 14000 and FORD Q1. JKM Automotive™ has also been audited and approved by various global OEM's such as Hyundai, Ford, Fiat, Nissan, Daimler, Cummins and John Deere, etc.

As a part of the worldwide supplier improvement program initiated by Honeywell, JKM Automotive™ has been Honeywell's first supplier outside Europe to implement Honeywell Operating System (HOS). This has been guided by a dedicated team from Honeywell Global HOS team. JKM Automotive™ has successfully implemented the first

3 phases and is currently working towards implementing phase 4 since January 2011. Significant improvements have been witnessed at both foundry and machine shop in areas such as setting time, through-put time from pouring to despatch, output per employee, kaizen, strategic deployment program and various other shop floor initiatives.

Dynamic Oldland Aerospace™, India has the largest infrastructure in the Indian private sector for the manufacture of exacting Air Frame Structures and Precision Aerospace Components, having its manufacturing facilities in Bangalore and Nasik. The Division is well supported by its AS 9100 'B' – Annual certification by UL covering Nasik work centre & NADCAP approvals for Heat Treatment and Non-Destructive-Test Facilities in India. 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.

Dynamic Oldland Aerospace™, UK is supported by its ISO 9001:2000 and AS 9100 from the BSI. During the year, the Company has successfully completed customer audits by GKN, Yeovil, Spirit AeroSystems, G. E. Aerospace, Westland Helicopters Limited.

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

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

Powermetric® Design, after obtaining Design Approval Certification from the Center for Military Airworthiness & Certification (CEMILAC), has proposed its design capabilities to Indian as well as foreign aerospace organisations. The CEMILAC certification which is mandatory for defence & aerospace design, will enable Powermetric® to undertake design, validation and development activities of aerospace parts/products using various sophisticated computational tools.

Powermetric is also focusing on new research areas viz., Clean and Green Energy management / and application.

5. AWARDS, RECOGNITION AND IMPORTANT MILESTONES

- Dynamic® Hydraulics has received the '**Best Performance Award**' in the Supply Chain Management Category from the Swaraj Tractor Division of Mahindra & Mahindra for outstanding SCM performance.
- Dynamic® has received an '**Award of Appreciation**' from Voltas Limited (A Tata Enterprise) for the consistent quality of products supplied.
- Dynamic Oldland Aerospace Division, UK, has been recognized by GKN Aerospace for '**Excellent performance in the areas of delivery and quality**'.
- Dynamic Technologies Limited was featured on the cover of the **Aviation Week**, for the issue of the month of June 2010.

- Dynamic Technologies has successfully achieved '**Single Source Supplier**' status for the Airbus 320 Flap Track Beams being supplied to Spirit AeroSystems (Europe) Limited.
- Dynamic Technologies Limited has conducted the **Ground Breaking Ceremony** at its 35 acres site located in Karnataka Industrial Area Development Board's (KIADB) Aerospace Park near the International Airport in Bangalore, in the presence of Mr. S. V. Ranganath, Chief Secretary to the Government of Karnataka, Mr. Klaus Richter, Executive Vice President & Head of EADS / Airbus Procurement, Mr. V. P. Baligar, Principal Secretary, Industries Department, Government of Karnataka and Mr. Philippe Advani, Vice President, Head of EADS / Airbus Global Sourcing Network.
- **Dynamic® Tech Day** was conducted at Mahindra and Mahindra, where **Indra Pump was launched**. This is the next generation hydraulic gear pump designed and developed by Dynamic® for Mahindra.

6. DEPOSITS

As on 31st March, 2011, your Company has no unclaimed Deposits by the Deposit holders of the Company.

7. DIRECTORS

Under Section 256 of the Companies Act, 1956, Dr. K. Aprameyan, Mr. Govind Mirchandani and Ms. Malavika Jayaram, Directors of the Company retire by rotation at the ensuing Annual General Meeting, and being eligible, offer themselves for re-appointment.

Details of Directors has been covered in Corporate Governance Report forming part of the Annual Report.

8. 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 as **ANNEXURE - III**, forming part of this report.

9. 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.

10. 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.

11. SECRETARIAL AUDIT REPORT

As a measure of good corporate governance practice, your Company underwent a Secretarial Audit for the financial year ended 31st March, 2011. An independent Practising Company Secretary, conducted this audit; who is a past member of Central Council of the Institute of Company Secretaries of India.

12. PARTICULARS OF EMPLOYMENT

Your Company places a high premium on the development and retention of its Human Resources as well as in providing employees with safe and healthy work environments. With the establishment of the Corporate Human Resource Department under the leadership of the Head - Group HR, there is a renewed focus on formulating HR practices and strategic policies which will enable your Company to continue with its talent identification, recruitment, and development initiatives, thereby creating a merit oriented, values based work culture across the organization. A new Performance Management System has already been put in place to help your Company train and develop employees for improved performance, through skill-sets development and attitudinal changes. Your Company continues to remain focused on the maintenance of cordial industrial relations with its work force and in fostering a system of participative management, which enhances the employees' sense of belonging within the Company.

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.

13. 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.

14. 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 seven years, have been transferred by the Company to the Investor Education and Protection Fund.

15. MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

Management's Discussion and Analysis Report for the year is 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.

16. CORPORATE GOVERNANCE

Your Company is committed to maintain the best standards of Corporate Governance and adheres to the Corporate Governance requirements set out by Securities and Exchange Board of India (SEBI). The Company has also implemented

several best corporate governance practices prevalent globally.

National Stock Exchange of India Limited (NSE), in association with Credit Rating and Information Services of India Limited (CRISIL), has initiated Independent Equity Research Report (IER), on certain companies. IER is reckoned among the best practices globally in the equity research-independence space. During the year, your Company has been covered under an Independent Equity Research Report carried out by CRISIL under the aegis of NSE-IPFT.

The reports can be viewed at www.ier.co.in or at National Stock Exchange home page: at **NSE-IPFT Sponsored Research Reports**.

M/s. B S R & Associates, Chartered Accountants, Statutory Auditors of the Company had conducted the Corporate Governance audit for the year under review.

A separate section on Corporate Governance and a Certificate from the Statutory Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with Stock Exchange/s in India is presented in a separate section forming part of this Annual Report.

Your Company is taking all initiatives to implement the Corporate Governance voluntary guidelines 2009 and Corporate Social Responsibility voluntary guidelines 2009 issued by Ministry of Corporate Affairs, Government of India.

17. PROMOTERS

The list 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 SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 include the following:

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

18. DISCLOSURES REQUIRED UNDER LISTING AGREEMENT

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

The Certification by CEO & Managing Director and President & Group CFO of the Company is attached in **ANNEXURE - V**, forming part of this report.

ACKNOWLEDGMENTS

Your Directors would like to thank 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 to their continued support in the future.

For and on behalf of the Board of Directors



VIJAI KAPUR
Chairman

Place : Bangalore
Date : 28th May, 2011

ANNEXURE TO DIRECTORS' REPORT

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 31st March, 2011.

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. This is being systematized and quantifiable by implementing ISO 14000 and OHSAS 18000.

Generating Green Energy through Dynamic[®] Wind Farm

Dynamic[®] Wind farm is generating approximately 13 Mn units of power annually near Coimbatore, India. The Wind Farm which comprises of 48 windmills on 440 acres of free-hold land, enables Dynamic[®] 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 are covered in the Corporate Sustainability Report of the Company.

(a) Energy Conservation measures and impact at Dynamic[®] Chennai.

- i. The Wind farm of 12 MW capacity (250 KW x 48 machines) generated 13 Million units of green energy last year, which resulted in 87% of the annual grid power being saved and enabled the Automotive Production Facility & the Foundry in Chennai to considerably reduce their carbon foot-print.

- The power cost savings, as a result of the green energy generated by the Wind farm, corresponds to ₹345.12 lacs during the year.
- Total units saved / annum is approximately 13 Million units.
- Carbon Emission Minimisation.

Units Generated in Wind Farm April to March, 2011 (including sold to TNEB)	1,34,63,285
Emission Minimisation by Wind Farm in comparison with coal power generation in gms.	9,96,28,30,900

- ii. Usage of energy efficient lighting all through the Dynamic[®] industrial complexes. Key changes include:
 - Conversion of hi-bay metal halide lamps (250 Watts) used on the production shop, into energy saving 80w lamps of higher lumen.
 - Conversion of office lighting from 40w Tubes, to energy saving Lamps of higher lumen.
 - Conversion of factory perimeter lighting from 250 watts Sodium Vapor Lamp, to energy saving lamps of higher lumen.
- iii. Linkage of air-cooler used for providing ambient air to the shop floor to PLC, for automatic shut down during specified idle time, there-by avoiding dependence on the human element for switch on and off.
- iv. Computer Numerical Controlled (CNC) machines are programmed to go to emergency mode, by automatically switching off power when the machine is idle.

- v. 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.
- vi. The installation of Auto Demand Controller prevents the exceeding of sanctioned demand, by triggering an alarm or tripping the electrical circuit.
- vii. 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.

- Auto on/off of office area lighting/air conditioners, through the installation of man-movement sensor.
- Shut down of assembly press power, during idle time.
- Periodic air audits to establish an air-leak free facility.
- Periodic energy audits to evaluate conservation processes, and implement correction 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 13 Million 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 87% 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 ₹345.12 lacs during the year.
- Total units saved / annum is approximately 13 Million units.

INNOVATIVE PROJECTS IMPLEMENTED AT DYNAMATIC® CHENNAI IN CONSERVATION OF 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' 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 the world's best Hydraulic Technologies viz. **Plessey** and **Dowty Technologies**, both of which are from England. The Company acquired the Dowty Technology during its collaboration with Dowty in 1973 and it obtained the Plessey Technologies through the acquisition of Dynamatic Limited, UK, in 2007.

Automation

In order to enhance operational efficiency, increase through put and to reduce dependency on manpower availability, JKM Automotive™ has taken a major step towards automating certain production lines. Four manufacturing lines of the Exhaust Manifold (supplied to Hyundai) is currently being converted to fully automatic robotic machining lines. Apart from reducing human effort, it will also lead to achieving better efficiencies in the utilisation of resources and improvement in quality. This also enables continuous production with high efficiencies, eliminate processes and human variations, increase the output and ultimately achieve customer delight. The project is in the final stages of implementation.

The volume of parts supplied to Honeywell Turbo Technologies (HTT), are scheduled to double in output. Dynametal® supplies high quality aluminium compressor housing castings to JKM Automotive™ which is machined, assembled and supplied to HTT. Dynametal® which has a requirement for over 1.2 Million compressor housing castings per year will be shortly installing an automatic pouring and semi automatic finishing line. This automation will significantly improve productivity and quality, apart from ensuring cost savings.

(a) 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® for achieving growth, business profitability, sustainability and as a part of its contribution towards the building of a Nation. Dynamatic Science lab, created by consolidating various research and technology functions, helps to create enhanced value delivery by leveraging skills and competencies to create new business opportunities. Dynamatic's Research & Development actively driven by a Board-level Committee constituted as the Technology Development Committee.

The 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 processes needed to ensure that the Research & Development initiatives of 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 being carried out by the Company

Research & Development Activities in India and Europe

Highlights

- Development of new design for robust hydraulic gear pumps for Earth-moving 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 Value Enriched Global Gear Pump.
- Marine Engine application pump for Twin Disc.
- 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.
- 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 Electric Vehicle Charging Point** for charging electric cars across the world. Integration with electronics, hardware, software, back office, network service provider and man-machine interface is near completion.
- **Design and Development of Mobile Surveillance Vehicle (MSV) for Defence applications:** Field trials and validation is completed and has attracted lot of enquiries from various Government, as well as Private agencies.
- Design and Development of KV Lube Pump for Cummins, Daventry.
- Validation of Zenith and Thor Project Pumps for John Deere.
- Twin Disc pump for various marine applications.
- Design and Development of Internal Gear Pump for lubrication of Tractor Transmission for John Deere.

- Dynamic® Hydraulics has also placed its footprint 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, are mentioned below:

- Design and development of new products have resulted in new business development and extending our R&D vision, for future market requirements.
- Capitalizing on new business opportunities in various verticals, including Green power and Energy distribution technologies.
- Contributing to India's Defence indigenisation and technological up-gradation program and also participating in India's security programs.
- 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

₹ in lacs

Particulars		31 March 2011	31 March 2010
(a)	Capital	209.76	1.53
(b)	Recurring	541.00	507.34
	Total	750.76	508.87

Total expenditure as a percentage of turnover (Net): **1.52%** (1.16% in 2010).

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 honour 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 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 MNC's 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.
- Conceptualisation of water pump design for medium duty vehicles required for Indian and Overseas automotive manufacturers.

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

- a) Technology imported: NIL
- b) Year of import: NA
- c) Has technology been fully absorbed? NA
- d) 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 ₹6,728.18 lacs.

(a). Foreign Exchange Earned and used:

₹ in lacs

Particulars	31 March 2011	31 March 2010
a. Total Foreign Exchange Earned	6,805.30	3,683.75
b. Total Foreign Exchange Used	7,959.83	5,598.22
• Import of Raw materials, components, stores and spares	5562.72	4740.06
• Foreign Travel	76.75	81.27
• Interest and legal expenses	724.07	593.36
• Capital Expenditure	1585.73	180.90
• Others	10.56	2.63

ANNEXURE - II

A. ANNEXURE TO DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2011.

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

	Particulars	JKM Research Farm Limited, India (a subsidiary of Dynamatic Technologies Limited, India)	JKM ERLA Automotive Limited, India (a subsidiary of Dynamatic Technologies Limited, India)	JKM Global Pte. Limited, Singapore (a subsidiary of Dynamatic Technologies Limited, India)	Dynamatic Limited, UK (a subsidiary of JKM Global Pte. Limited, Singapore)	Yew Tree Investments Limited, UK (a subsidiary of Dynamatic Limited, UK)
1.	Financial Year ended on	31.03.2011	31.03.2011	31.03.2011	31.03.2011	31.03.2011
2.	Shares of the Subsidiary held by the Company on the above date:					
a)	Number and Face Value	5,000,000 fully paid Equity Shares of ₹10/- each	50,060 fully paid Equity Shares of ₹10/- each	14,571,451 fully paid Equity Shares of Singapore \$1/- each	2,250,000 fully paid Equity Shares of GBP 1/- each	100 fully paid Equity Shares of GBP 1/- each
b)	Extent of holding	100%	100%	100%	100%	100%
3.	The net aggregate of Profit / (Loss) of the Subsidiaries so far as they concern the members of the Company:	₹ in lacs	₹ in lacs	₹ in lacs	₹ in lacs	₹ in lacs
a)	Dealt within the account of the Company for the year ended 31 st March, 2011.	-	-	-	-	-
b)	Not dealt within the account of the Company for the year ended 31 st March, 2011.	63.64	-	64.15	54.32	813.42
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 st March, 2010.	-	-	-	-	-
b)	Not dealt within the account of the Company for the year ended 31 st March, 2010.	21.79	-	291.43	(335.63)	575.53

B. INFORMATION RELATING TO SUBSIDIARIES AS AT 31ST MARCH, 2011

(₹ in '000)

Name of the Subsidiary	Share Capital	Reserves & Surplus	Total Assets	Total Liabilities [excl. (2) & (3)]	Investments			Profit Before Taxation	Provision for Taxation	Profit After Taxation	Proposed Dividend (incl. dividend tax)	
					Long-term	Current	Total					
1	2	3	4	5			6	7	8	9	10	11
Foreign Subsidiaries (Reporting currency reference mentioned against each Subsidiary)												
Dynamatic Limited UK (a)	477,152.44	(143,334.77)	1,955,213.18	1,621,395.52	-	-	100%	1,126,381.60	13,075.18	7,642.93	5,432.25	0.00
Yew Tree Investments Ltd (a)	7.28	119,190.06	121,365.36	2,168.02	-	-	100%	86,246.23	83,737.12	2,394.23	81,342.90	78,703.51
JKM Global Pte Limited, Singapore (b)	502,395.94	(5,841.76)	651,772.41	155,218.23	-	-	100%	17,573.94	6,414.69	-	6,414.66	-
Indian Subsidiaries												
JKM Erla Automotive Limited	500.60	-	16,387.60	15,887.00	-	-	100%	-	-	-	-	-
JKM Research Farm Limited	50,000.00	(3,563.19)	63,114.95	16,678.14	-	-	100%	11,774.58	9,013.45	2,649.69	6,363.75	-

Note:

Information on Subsidiaries is provided in compliance with Circular No. 2/2011 dated 8th February, 2011 of the Ministry of Corporate Affairs, Government of India. We undertake to make available the audited annual accounts and related information of Subsidiaries, where applicable, upon request by any of our shareholders. The annual accounts will also be available for inspection during business hours at our registered office in Bangalore, India. The same will also be available on our website, www.dynamatics.com

Details of reporting currency and the rate used for converting

Reporting Currency Reference	For Conversion		
	Currency	Average Rate (in ₹)	Closing Rate (in ₹)
a	GBP	71.2249	72.8477
b	SGD	34.2636	34.4781

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:

- i) In the preparation of accounts for the financial year ended 31st March, 2011, the applicable Accounting Standards have been followed with proper explanation relating to material departures if any.
- ii) 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.
- iii) 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.
- iv) We have prepared the accounts for the financial year ended 31st March, 2011, on a 'going concern' basis.

ANNEXURE – IV

Form 'A'

Disclosure of particulars with respect to conservation of energy

Sl. No.	Power and Fuel Consumption Particulars	Hydraulics		Aerospace		Automotive	
		Year					
		2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
1.	ELECTRICITY						
	Purchased units - lacs	3,215,405	2,492,665	1,468,553	1,266,265	6,518,000	6,127,386
	Total cost in ₹	17,684,727	11,142,212	8,077,041	5,698,192	32,008,102	27,573,237
	Rate / unit	5.50	4.47	5.50	4.47	4.91	4.50
2.	GENERATION THROUGH CAPTIVE POWER FACILITIES						
	Through Diesel generators						
	Units	131,439	124,929	43,813	41,643	966,251	820,140
	KWH per unit of fuel	3.50	3.50	3.50	3.50	3.50	4.00
	Fuel cost in ₹	13.14	10.85	13.14	10.85	11.37	8.75
3.	THROUGH WIND FARM UNITS	NA	NA	NA	NA	14,452,060	17,378,900
4.	PURCHASED FUEL CONSUMED						
	Furnace oil quantity - litre	5030	4,830	NA	NA	NA	NA
	Total cost in ₹	452,203	410,550	NA	NA	NA	NA
	Average rate / litre in ₹	90.10	85.00	NA	NA	NA	NA
5.	DIESEL OIL	55,455	NA	NA	NA	NA	NA
6.	OTHERS						
	Gas - LPG	LPG	LPG				
	Quantity - Kg	17,918	13,175	NA	NA	NA	NA
	Total cost in ₹	1,254,260	590,381	NA	NA	NA	NA
	Average rate per Kg	70.00	44.81	NA	NA	NA	NA
7.	CONSUMPTION PER UNIT PRODUCTION						
	Units / pump / Auto parts	6.06	6.29	NA	NA	0.98	0.82
	FURNACE GAS	17.60 gms/gear	13.00 gms/gear	-	-	-	-

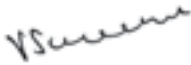
**CERTIFICATION BY CEO & MANAGING DIRECTOR
AND PRESIDENT & GROUP CFO OF THE COMPANY**

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;
- b. 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;
- c. 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;
- d. To the best of our knowledge and belief, there are no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct.
- e. 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.
- f. 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;
- g. 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.
- h. 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 31st March, 2011.

Place : Bangalore
Date : 28th May, 2011


Udayant Malhoutra
CEO & Managing Director


V. Sunder
President & Group CFO

For and on behalf of the Board of Directors

Place : Bangalore
Date : 28th May, 2011


Vijai Kapur
Chairman

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

According to World Economic Forum, uncertainty in the global economy persists and the shift in the balance of economic activity away from advanced economies and towards developing ones continues. Despite significant Government stimulus spending aimed at dampening the recession, growth in advanced economies remains sluggish as they are mired in persistent unemployment and weak demand. Recent concerns about the sustainability of sovereign debt in Europe, and the stability and efficient functioning of financial markets more generally, have added to the list of concerns. The present situation emphasizes the importance of mapping out clear strategies to get economies back on a steady footing. Yet charting out such a process remains elusive in many countries for fear of a "double dip" recession, as well as for political considerations. On the other hand, developing economies have for the most part fared comparatively well during the crises: countries such as Brazil, China and India are expected to grow at rates of 5.5 - 10% in 2010, with growth holding up well over the next few years. Indeed, the world increasingly looks to the developing world as the major engine of the global economy.

According to the Reserve Bank of India's, Monetary Policy Statement 2011-12, the global economy during the first quarter of 2011 continued with the momentum of late 2010. The global manufacturing Purchasing Managers' Index (PMI) for February 2011 was close to a record high, and recorded its fastest pace of expansion in almost five years. Although these indices slipped somewhat in March 2011, they signalled continuing expansion.

The Indian economy has grown by 8.5% during 2010-11. Agricultural growth was above average, following a good monsoon. The Index of Industrial

Production (IIP), which grew by 10.4% during the first half of 2010-11, moderated subsequently bringing down the overall growth for April-February 2010-11 to 7.8%. The main contributor to this decline was a deceleration in the capital goods sector. However, other indicators, such as the manufacturing PMI, tax collections, corporate sales and earnings growth, credit off-take by industry (other than infrastructure) and export performance suggested that economic activity was strong.

During the year, your Company's performance has been satisfactory. Your Company has outperformed in the Hydraulics and Aerospace segments in 2010-11, when compared to previous year performance.

The broad array of challenges which are existing and potential threats 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 periodic reviews of the National Security System in its entirety, from time to time.

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.

Your Company's wind farm in Coimbatore which has a capacity of 12 MW, generated around 13 Million units (₹4.8 Million / Annum) of green energy during the year. This resulted in 87% 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.

During May 2011, your Company through its Wholly Owned Subsidiary, JKM ERLA Automotive Limited was in the final stages of acquiring Eisenwerk Erla, GmbH, which generates revenues in excess of Euro 100 million between its two units located in Germany and India.

OVERVIEW, STRUCTURE & DEVELOPMENT

Hydraulics Industry

Agriculture has been the mainstay of India's economy with 60% of the population deriving their sustenance from it.

In the recent past, the sector has recorded a growth of about 5.4% per annum with substantial increase in plan allocations and capital formation in the sector with concessional interest rates to farmers, debt relief for farmers, higher support prices for key crops and accelerated irrigation benefit programs declared by Government of India in its recent budget.

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

Automotive Industry

The Automobile passenger car industry in India has grown by over 40%, from 2.6 million units in 2009 to 3.7 million units in 2010. According to a recent report, India is set to move up to the position of the 6th largest producer of automobiles in the world from the 7th position which she held last year. This has made India the second fastest growing automobile market in the world. India continues to dominate and emerge as a world leader in the manufacturing of small cars.

Chennai, also known as the "Detroit of India" has the largest chunk of car manufacturing industries, accounting for 60% of the country's automotive exports. Hyundai continues to be the single largest exporter of cars to over 100 countries, all of which are manufactured at their facility in Chennai. Nissan has started manufacturing cars from Chennai and has made it one of their largest export hubs. Ford has completed the proposed expansion of their plant and launched the successful "FIGO" car in the Indian market. The Figo is also being exported to South Africa.

While there is an opportunity for steep growth, India continues to face challenges due to high investment on production facilities, availability of electricity, skilled manpower, rising fuel costs and interest rates. The key to success in the Automotive industry is to improve labour productivity and flexibility as well as capital efficiency. Qualitative manpower, the ability to make infra structural improvements and raw material availability also plays a major role. Access to the latest and most efficient technologies and techniques will endow major players with a competitive advantage. The ability to utilize manufacturing plants to optimum levels and understanding the implications of Government policies are also essential for growth in India's Automotive Industry.

JKM Automotive™, the automotive division of Dynamatic Technologies, is located in Chennai and possesses state-of-the-art manufacturing technology to produce and supply high quality automotive components to leading OEMs including Hyundai Motor India Limited, Fiat India, Tata Motors, Ford Motor Company, John Deere, Cummins, Nissan and Honeywell on a single source basis.

The unique locational advantage offered by Chennai has enabled JKM Automotive™ to forge strong partnerships with each of its customers and the division is poised to grow at over 15% during the financial year 2011-12. This

year will also see JKM Automotive™ further mitigating business risk by making a shift from being a Hyundai centric single customer business into a multi customer business.

Aerospace & Defence Industry

Defence Industry

P-8I

On January 1, 2009 India placed an \$2.1 billion order with Boeing for the supply of 8 customized P-8I Poseidon Maritime Multi Mission Aircraft (MMA), designated P-8I, for use by Indian Navy. Derived from Boeing's commercial 737 airframe, the P-8I is similar to the P-8A Poseidon that Boeing is developing.

The P-8I's will replace the Indian Navy's antiquated fleet of 8 Russian TU-142M Maritime Reconnaissance aircraft. The P-8I is a true multi-mission Maritime Patrol Aircraft (MPA) that features greater flexibility and a broader range of capabilities, than the 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.

In October 2010, Ministry of Defence, Government of India cleared the purchase of 4 more P-8I that were an option thereby taking the total number to 12.

The US Navy plans to purchase 108 P-8A's to replace its fleet of P-3C Aircraft. The first aircraft was tested in 2009 and initial operational clearance is slated for 2013.

The P-8I is being built by a Boeing-led industry team that includes CFM International, Northrop Grumman, Raytheon, Spirit AeroSystems and GE Aviation. The fabrication of the first aircraft began in the last quarter of 2010. India will get the first P-8I in 2011-12, with delivery of remaining 7 aircrafts expected to be completed by 2015-2016.

C-17

On June 6, 2011, the cabinet committee on security under the Chairmanship of the Indian Prime Minister decided to purchase 10 C-17 Globe Master III Heavy-Lift Transport Aircraft from the US for the Indian Air Force. The deal under the Foreign Military Sale (Government to Government) is estimated to cost ₹18,000 crore (approximately USD 4.1 bn). The contract, when signed, would become the single highest value contract that India has entered into with the US and includes an offset obligation of around 4,500 crore (USD 1 bn). The offer is for 18 Air crafts and would replace the Russian IL-76 and AN-32 for transporting men and material. Deliveries would commence 24 months after the signing of the Contract.

Medium Multi-Role Combat Aircraft (MMRCA)

The Indian Air Force is expected to purchase 126 MMRCA at a cost of approximately ₹42,000 crores. Six aircraft manufacturers - 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) - had responded to the RFP and submitted their bids.

Flight trials were conducted for the six fighter aircraft during which test pilots flew 222 Sorties spanning 270 hrs in different weather conditions in India and abroad. Each vendor was informed of its Jet's performance at every stage. Only Rafale and Typhoon were found compliant on all 643 -660 technical attributes which are the Air Staff Qualitative Requirements (ASQRs) laid down to meet IAF's specific operational requirements.

On April 27, 2011, India informed the US, Russia and Sweden that their respective bids had been rejected subsequent to IAF's technical evaluation and that the Euro Fighter and the French Rafale were short listed for commercial negotiations.

Hindustan Aeronautics Limited – Sukhoi 30MKI

The Sukhoi 30MKI 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. The Government of India plans to more than double the number of Russian-made Sukhoi 30MKI fighter aircraft in the Indian Air Force fleet, to 230 by 2015.

Indigenisation

Hindustan Aeronautics Limited (HAL) has mastered the manufacturing of wing and tail, and has started producing the Fuselage this year. The manufacturing of the engine is the most challenging aspect of indigenisation and will be undertaken soon.

Defence Procurement Procedure 2011

The Defence Procurement Procedure (DPP) 2011, which supersedes earlier versions with effect from 1st January, 2011, has incorporated several new provisions and revised some. The revised provisions, especially those related to the validity of RFPs, Offsets, Transfer of Technology for maintenance infrastructure, technical oversight committee, performance and warranty bond, fast track procedure, exchange rate variation and trial evaluations are all welcome changes that will together help expedite defence acquisition and enable greater defence industrialisation in India.

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% - would be of Single-Aisle Aircraft like the Boeing 737 and the Airbus A320, which normally seat around 150 passengers. The demand from emerging markets in Asia and the 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, while Boeing has secured 138 orders. The value of Boeing's order book, which is close to \$20 billion at list prices, is nearer to Airbus' approximate \$22 billion in Indian orders.

The growth potential of the Indian aviation sector has led global manufacturers to recognize that India would continue to be one of the fastest growing aviation markets in the world. With the average growth rate next 10 years pegged at 12.2%, the number of new aircrafts required by Indian carriers places the country at the fifth largest in the world,.

Airbus

In recognition of the country's strategic importance, Airbus has pledged to play a long term role in the development of the Indian aviation sector. Apart from establishing an engineering center and a full-fledged flight training center, Airbus also works directly with Indian Companies in the design and manufacture of Aero-Structures and encourages its major tier-one partners to do so, as appropriate.

Airbus-built aircrafts have become a key element in the operations of Indian based airlines. Starting with the 1960 delivery of an A300 to Indian Airlines, the fleet of Indian carriers now include both Single-Aisle and Wide-Body Aircraft and is poised to expand with the future introductions of A350 and A380 by King Fisher Airlines, whose deliveries start next year.

Airbus continues to pursue other potential areas of co-operation with India, including air traffic control, management and safety management.

Boeing

Boeing's 2010 current market outlook for India forecast that the Indian aviation market will require 1,150 commercial jets valued at approximately USD 130 bn, over the next 20 years – a market representing more than 4% of Boeing commercial airplanes worldwide forecast.

Boeing is continually exploring new business and investment opportunities and potential partnership businesses in India. In addition to direct work placement, Boeing collaborates with industrial partners in lean manufacturing techniques. The Boeing program management includes best practices as a part of its drive to bring the best of Boeing to India and the best of India to Boeing.

Bombardier

Bombardier forecasts 24,000 deliveries in the business aircraft arena valued at USD 626 bn over the next 20 years. It concedes both business and commercial aircrafts markets continue to remain down with the ongoing economic slump but reiterates that the business aircraft indicators are improving, while commercial aircraft market begins to recover. The Canadian Original Equipment Manufacturer also points to developing regions, such as China and India, as an important part of the future market.

As part of its efforts to weather the downturn, Bombardier is moving ahead with new products that will be ready to capture the market when the condition improves. Larger capacity aircraft, in the 100-149 seat range, will account for 7,000 unit shipments valued at USD 423.7 bn over the next 20 years. Aircrafts with 60-99 seats will follow, with 5,800 shipments valued at USD 208.6 bn. The 29-50 seat range will account for 300 new aircrafts worth USD 6.5 bn. Bombardier further predicts that more than half of the current commercial fleet will be replaced in the next 20 years.

Embraear

Embraear expects the executive jet business in India to grow four times, to around USD 8.9 bn by 2020. While the demand leans towards medium and large size business jets, its entry level aircraft that can reach the entire sub continent is also popular. India is hopeful of co-operating with Embraear on the development of a 90-100 seater regional airliner.

Gulfstream

Gulfstream points out that while it had five aircrafts in service in India in 2001, the number has grown to 17 today. Of those, twelve are its large cabin long range G-550, which are capable of travelling over 12,000 km non-stop. Much of this demand is driven by India's growing wealth. The country has reported 47 billionaires according to the Forbes 2010, list. It also has more than 126,000 millionaires, and, is the world's 8th largest base of high net-worth individuals.

Dynamic Oldland Aerospace™, India, 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. Dynamic Oldland 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 (IJT). 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 wings assembly jigs for IJT.

The largest defence program in India is the manufacture and assembly of major airframe structures for the Su-30MKI fighter-bomber. There are 6 different control surfaces - Vertical Fins, Ventral Fins, Horizontal Stabilizers, Slats, Canard and Airbrake - that go on to the aircraft. To meet the production demand, the Jigs have been duplicated and all the assemblies are being relocated to the new Dynamic® facility in Nasik, where the complete Sukhoi Aircraft is assembled by HAL.

Dynamic Technologies has signed a contract with Boeing for the manufacture of cabinets to house critical power and mission equipment for the P-8I program and supply of first shipment is scheduled in July first week.

On the commercial aircraft business, Dynamic Oldland Aerospace™ has achieved global single source status for the supply of Flap Track Beam assemblies for the Airbus Single Aisle Aircraft family. Dynamic® is working closely with Spirit AeroSystems, the world's largest Aero-Structure manufacturer, as an industrial partner in this project. By July 2010, every Airbus A320 Family Aircraft is partly 'Made in India' as Dynamic® has been the single source supplier of the Airbus Flap Track Beams since June 2010. Currently your Company produces over 30 sets on an average per month and has supplied over 400 Aircraft sets as a responsible single source supplier.

Dynamic Oldland Aerospace™ is vertically integrated to manufacture CNC components, Sheet Metal Components, Soft Tooling, Hard Tooling, Jig Manufacturing and has Comprehensive Engineering capabilities. The Aerospace Division is AS9100 approved, NADCAP approved for Heat Treatment and Non Destructive Testing and Airbus / Boeing approved for the manufacture of Aero-Structures.

Dynamic Oldland Aerospace™, UK, is a division of Dynamic Limited, UK, is a high end precision engineering Company in Bristol, UK, and an unique state-of-the-art Aeronautical manufacturing facility which is a Center of Excellence for 5 axis machining capabilities. It is

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 Dynamic® 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 Americas.

The Aerospace Division has been continuously expanding to build capabilities in large Aero-Structures Assemblies, Composites and Complex Engineering. It is poised to grow into the role of preferred strategic supplier to both Tier Ones and Primes. As a pioneer in Indian Private Sector with a demonstrated track record for the manufacture and development of complex Aero-Structures, Dynamic® enjoys the first mover advantage and has formulated a strategic growth plan for its future.

As a first step towards its goal, Dynamic® signed an MoU with the Government of Karnataka in June, 2010, for the acquisition of 35 acres of land in the Aerospace park to be set up by the KIADB, adjacent to the International Airport in Bangalore. Recognizing the growth imperatives in the emerging aerospace industry in India, Dynamic® shared plans of establishing state-of-the-art aerospace manufacturing facilities and ceremoniously broke ground in February 2011.

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. Dynamic® has its state-of-the-art manufacturing facilities located in Bangalore, Chennai and Nasik, India, and in Swindon & Bristol, UK, Erla, Germany, which offers it a geographical advantage in managing its customer relationships. Dynamic®'s presence in India and Europe also grants its business processes the flexibility to combine the strengths of each location, to deliver cost and long-term global manufacturing advantages to its customers.

The 'Yellow Brick Road' strategy, which uniquely positions Dynamic® to achieve greater economic relevance 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 of the Company, achieve business synergy, the cost competitiveness risk mitigation, and develop a stable supplier base.

With over three decades of manufacturing experience, is vertically integrated with manufacturing facilities in two continents and Dynamic® making global deliveries into all six continents. Your Company is equipped to undertake projects from concept and design stage to the manufacture of products and delivery of services in each of its business segments.

Your Company operates in the following business segments

- **Dynamic® Hydraulics, India & UK**
- **JKM Automotive™, India**
- **Dynamic Oldland Aerospace™, India & UK**
- **Dynametal®, India**
- **Powermetric® Design, India**
- **Dynamic Homeland Security™, India**
- **Dynamic® Wind Farm, India**

Dynamatic® Hydraulics, India and UK

₹ in lacs

		31 March 2011	31 March 2010
Financial Highlights	Segment sales	23,037.31	19,357.84
	Profit before interest & Tax	1,956.53	985.45
	Capital Employed	17,681.73	9,942.85
Business Highlights	<ul style="list-style-type: none"> • GLOBAL SCALE: One of the World's largest manufacturers of Hydraulic Gear Pumps. • GLOBAL PRESENCE: Production facilities in two continents, India & Europe. Sales in 6 continents. • DOMINANT PLAYER IN INDIAN MARKET: Single source supplier to 75% of India's Tractor OEMs and Construction Equipment Industry. • INTELLECTUAL PROPERTY OWNERSHIP: Owns the design of every part made. Applies cutting edge technologies and highly sophisticated machinery for product manufacturing. • COMPREHENSIVE RANGE: 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. • COMPREHENSIVE DISTRIBUTION BASE: Possesses a global delivery chain, a vastly broadened product offering. An incomparable distribution network of over 50 distributors and 500 stockists have given us the broadest possible coverage of the Indian Hydraulics Market, catering to over 80% of mobile hydraulic gear pump applications. • DESIGN & DEVELOPMENT: 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. • GLOBAL REACH: Strong design and development partnerships with major tractor OEMs. Its customers/suppliers include Mahindra & Mahindra, Eicher Tractors, Punjab Tractors, Same Deutz-Fahr, Escorts Limited, L&T John Deere, New Holland India, BEML, Godrej & Boyce, HMT, BHEL, Telco. • EXPORTS: are made to over 30 countries and are used in original Equipment in USA, UK, Canada and South Korea. • Supplier to the Infrastructure Sector by developing cast iron body pumps for clients like JCB, Caterpillar, Cummins, etc. • VALUE ADD: Supplier of Total Tractor Hydraulics Systems (Hitch lifts) to new generation tractor manufacturers, currently catering to Same Deutz-Fahr. • 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 the ARJUN Main Battle Tank. • QUALITY MANAGEMENT SYSTEMS: Certified to ISO 9001 specifications (ISO 9001:2008) and also to ISO 14001 specifications for Environmental Management System. • GLOBAL MARKETS: Dynamatic®, UK, reach Global markets in terms of quality, cost and delivery system. • DEVELOPING NEW MARKETS: During the downturn, Dynamatic®, UK, utilized its resources to discover its replacement market, along with OEM, developing various products to the Customers. 		

JKM Automotive™, India

₹ in lacs

		31 March 2011	31 March 2010
Financial Highlights	Segment sales	19,249.28	19,004.49
	Profit before interest & Tax	206.24	1,051.00
	Capital Employed	14,658.42	9,318.96
Business Highlights	<ul style="list-style-type: none"> • SINGLE SOURCE: Produces high quality ferrous and non-ferrous critical engine and transmission components on a single source basis for Global Automotive OEM's, approximately 35% of India's automobiles. • INNOVATIVE SUPPLY CHAIN CONTROL: 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 & Honeywell on a single source basis. • Moving from being Hyundai-centric to multiple customer business to mitigate business risk. • GEOGRAPHICAL ADVANTAGE: JKM Automotive™ has two manufacturing facilities located in Chennai, one of India's prominent automotive hubs. 		

	<ul style="list-style-type: none"> • STRADDLES THREE SEGMENTS: Incorporates highly efficient production systems and processes to produce automotive components for Highway, Off-Highway and Technology oriented applications. • GREEN ENERGY: Dynamatic® Wind farm generated 13 Million units of green energy during the year, resulting in 87% of annual grid power being saved and enabled the Automotive production facility to considerably reduce their Carbon Foot-Print. • QUALITY MANAGEMENT SYSTEMS: JKM Automotive™ facilities are certified to the highest quality and safety standards specified by the automotive industry including TS 16949, OSHAS 18000 and ISO 14000 as well as to Ford Q1 quality standards and further approved by various Global Automotive Majors. • SYNERGY ON ACQUISITION OF FOUNDRY UNIT IN GERMANY AND INDIA: To be at the forefront of designing and producing Emission Control and Fuel Efficiency enhancement devices and products having application in Automobiles. The mission will be to acquire and grow know-how ranging from Material Sciences, Material Forming and Manufacturing Technologies required to achieve global leadership in Emission Control and Fuel Efficiency enhancing products and methods. To work with all Global Automobile majors as development partners. • With expertise of JKM Automotive™ in machining, assembly, testing and supply of highly engineered automotive parts to global OEMs, the acquisition of Eisenwerk Erla will enable us to achieve the following: <ol style="list-style-type: none"> 1. Strengthen its Supply chain by owning a state-of-the-art Ferrous foundry. 2. Exposure to latest technology in high end ferrous material and Emission control technology devices. 3. Strong customer base - Become Tier 1 supplier to global OEM / Turbo technology customers like Volkswagen, Audi, MAN, BMW, Borg Warner, IHI etc. 4. To achieve market leader position in Turbo technology parts.
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Dynamatic Oldland Aerospace™, India and UK

₹ in lacs

		31 March 2011	31 March 2010
Financial Highlights	Segment sales	10,241.56	7,821.34
	Profit before interest & Tax	3,185.15	1,432.58
	Capital Employed	11,741.49	11,582.91
Business Highlights	<ul style="list-style-type: none"> • POLE POSITION: Dynamatic Oldland Aerospace™, India is a pioneer & 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 Private sector. Having its facilities in India and Europe. • SUPPLIER OF CHOICE: Customers like DRDO, ADE, HAL, Boeing and Spirit have awarded Dynamatic Oldland Aerospace™, India with key projects and awards. • GEOGRAPHICAL ADVANTAGE: 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 30MKI 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 30MKI 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. • PRESENCE IN BOTH COMMERCIAL AND DEFENCE SEGMENTS: Dynamatic Oldland Aerospace™, India is HAL's largest developmental partner on the Sukhoi 30MKI 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 & Aileron and Flap for HJT-36, Intermediate Jet Trainer. Dynamatic Oldland Aerospace™, India manufactures Cabinets to house critical power and mission equipment for the P-8I, a multi-mission maritime patrol aircraft customized for the Indian Navy. 		

	<ul style="list-style-type: none"> • SPIRIT/AIRBUS Dynamatic® is working closely with Spirit AeroSystems, the world’s largest Aero-Structure 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 A320 and A321 series of aircraft. • OFFSET POLICY: Poised to ride the tidal wave of business from Government’s offset policy. Agreements signed with Boeing, Lockheed Martin, Northrop Grumman for being their Offset partners in India. • GLOBAL SINGLE SOURCE: Works 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. • QMS <ol style="list-style-type: none"> i. DGAQA approval for in-house processes. ii. AS 9100 Rev B Certified by Underwriters Laboratories (UL). iii. NADCAP approvals for In-house processes. iv. Secured three industrial defence production licences from the Ministry of Commerce & 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 defence products - Distribution Mechanism & Hydraulic Coupling which are fitted on Heavy Armoured Vehicles. Dynamatic has also received a license to manufacture Aircraft parts and accessories. v. First Company in the Private sector to be certified by Airbus for Manufacture of Aero-Structures. • EXPANSION 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 3rd 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. Your Company has conducted the Ground Breaking Ceremony at its 35 acres site located in Karnataka Industrial Area Development Board’s Aerospace Park near the International Airport in Bangalore in February 2011. Dynamatic Oldland Aerospace™, Bristol, a division of Dynamatic Limited, UK, is a certified supplier to Airbus UK, Boeing, GKN Aerospace, Magellan Aerospace, GE Aviation Systems, Lockheed Martin and Agusta Westland, with a 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.
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Dynametal®, India - Aluminium Casting (including Metallurgy)

₹ in lacs

		31 March 2011	31 March 2010
Financial Highlights	Segment sales	3,371.04	3,496.27
	Profit before interest & Tax	(71.73)	201.48
	Capital Employed	1,854.96	2,189.30
Business Highlights	<ul style="list-style-type: none"> • 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. • The facility is equipped with electric furnaces, which makes it highly eco-friendly. • Infrastructure created and controlled in-house. 		

Powermetric® Design, India

Highlights	<ul style="list-style-type: none">• 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.• Designs Special Machine Tools, being a Technology base to our Customers.• Design and development of Core Shooting Machine for foundry application.• Design and development of Riser Cutting Machine for foundry application.• Design and development of Internal Gear Pump based on gerotor principle is successfully completed.• Design of High Discharge water pumps for Cummins.• Design & Development of Mobile Surveillance Vehicle (MSV).• Design & Development of Electric Vehicle Charging Point for Reuben Power.
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Dynamatic Homeland Security™, India (New division effective from 2010)

Highlights	<ul style="list-style-type: none">• A division of Dynamatic Technologies, Dynamatic Homeland Security™ offers cutting edge security products and technologies which will enhance potential customers capabilities in countering modern day security threats.• 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, Dynamitic® enables agencies in the Government and private sectors to enhance their abilities to prepare and plan for emergencies as well as their response and recovery skills.
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Dynamatic® Wind Farm, India - Non-Conventional Energy

Highlights	<ul style="list-style-type: none">• Generating 12MW of power – approximately 13 million units annually for captive consumption at JKM Automotive™ and Dynametal®.• Strategically located, less than an hour's drive from Coimbatore airport.• 48 Windmills on 440 acres of free-hold land.• Uninterrupted supply of power to Automotive & Metallurgy businesses.• Giant Leap towards achievement of Zero Carbon footprint by manufacturing facilities in Tamil Nadu.• 87% reduction in monthly energy costs, improving our cost competitiveness.• Provides freedom from energy price inflation.• Eco-friendly environment.• Scalable-Windmills can be added.• Strategic land bank near Coimbatore.
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In spite of the Company's advantageous position, there are various external risk factors viz. a slowdown in global economy, economic slow down in India, change or delay in economic reforms of the Indian economic political instability, hostilities, terrorist attacks, civil unrest and other acts of violence could adversely affect the financial markets and its 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 constantly strives 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 (₹ in lacs)		Percentage (%)	
	2011	2010	2011	2010
Hydraulics & Precision Engineering	23,037.30	19,357.84	41	39
Aluminium Casting	3,371.04	3,496.27	6	7
Automotive Components	19,249.28	19,004.49	34	38
Aerospace	10,241.57	7,821.34	18	16
Wind Farm	546.27	525.24	1	1
TOTAL	56,445.46	50,205.18	100	100

D. OUTLOOK

The overall outlook for next accounting year April 2011 to March 2012 looks positive.

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. 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 for monitoring 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 also 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 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 forms part of the Corporate Governance Report.

Your Company has evolved a stringent Information Security Management System to protect and safeguard key information and data from unauthorised 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.

F. MATERIAL DEVELOPMENTS IN HUMAN RESOURCES / INDUSTRIAL RELATIONS (HR / IR)

As your Company continues with its strong transcontinental growth, there has been a growing need for robust, diverse Human Resource strategies and systems capable of straddling across countries and cultures to help the organization manage change in a dynamic business

environment. The global environment within which Your Company operates calls for a subtle but definite shift from the traditional HR role of being a manager of employee welfare measures and industrial relations to being a manager of change across borders. The key challenge has been in designing and setting in place an integrative HR framework based on the Company's vision and values which enables greater synergies between the various business units of your Company located in India and Europe, without compromising on the inherent advantages bestowed by geography and culture.

A positive step in this direction has been the strategic institution of a Corporate Human Resource Department under the leadership of the Head - Group HR, to formally design and implement an integrative HR strategy which keeps pace with the changing business environment. The strategies and efforts of your Company's Corporate HRD will continue to be shaped and guided by the Leadership, Human Resource Development Committee, a Board level committee, which meets regularly to provide direction and guidance to your Company's HR policies, initiatives and to review ongoing programs.

Dynamatic's Corporate HR Department assumes three strategic roles in the ongoing transformation of Dynamatic® into a Global company - First of the builder who sets in place the necessary fundamentals of Human Resource Management, secondly, the role of the change partner which calls for the realignment of HRM to meet the needs of the changing external environment as Dynamatic® expands its overseas operations and finally, the role of the Navigator in developing the capabilities of the organization and its personnel to manage the balance between short-term and long term HR goals, thus facilitating global integration.

Dynamatic Technologies envisages the diversification of its Human Resource base, the nurturing, management and retention of its talent and the development of leadership skills as the basic requisites for its continued growth. Your Company remains focused on these objectives through the provision of safe and healthy work places, harmonious industrial relations, formulation of value based HRM practices and systems across geographies, training and mentoring programmes and through appropriate welfare measures.

Your Company is committed to providing all its employees with a safe work environment through adherence to safe work practices, enforcing use of Personal Protective Gear on the shop floor and by continuously educating the workforce through training programmes and demonstrations. On-site healthcare facilities, insurance coverage, access to regular health checkups at reputed hospitals, medical feedback from experts and support in maintaining special health requirements are all a part of the welfare regimen followed at Dynamatic®.

The greater part of Your Company's competent workforce has worked with Dynamatic® for an average of 20-25 years, contributing greatly to its business stability and enriching its repository of knowledge and skill sets. Your Company continues to make significant investments in the development of its human resources, especially in the identification, development and retention of capable, professional talent. The workforce strength as on 31st March 2011 was 1730. Despite the post recessionary spurt in recruitment, the attrition rate across Dynamatic Technologies during the year under review has remained below 4%. Dynamatic's ability to retain talent in spite of the challenges posed by a competitive business environment can be attributed to its ability to nurture and develop talent through the alignment of individual goals and aspirations to the organization's goals.

HUMAN RESOURCE HIGHLIGHTS FOR THE YEAR UNDER REVIEW

- Performance measurement and incentivisation of the work force based on sustained performance and behavioural traits.
- New Performance Management System comprising of Work Books for monthly reviews and new Performance Appraisal Format for Annual Performance Appraisals have been institutionalized.
- Special Training for all segments of work force through technical, behavioural and relationship based programmes.
- Resource Sharing programmes for greater business synergies between international business units.
- Establishment of safe and secular work environment.
- Talent identification and retention.
- Two way communication channels between workforce and management.
- Broad-basing of work force through gender diversification.
- Increased participation of women in management.
- Participative Management by workforce in the Company's business processes.

CORPORATE GOVERNANCE REPORT

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 the standards of Corporate Governance in India in line with the needs of dynamic market, issued/issued circular/s directing all stock exchanges to amend Clause 49 of the Listing Agreement from time to time with Corporate Governance norms that increase the responsibility of listed companies to bring in transparency and accountability, and report the same in the Annual Report.

Corporate Governance involves the value systems of a Company including the moral, ethical and legal value framework within which business decisions are taken.

Your Company believes that Corporate Governance is vital in enhancing and retaining its stakeholders' trust. The Guiding principles of Corporate Governance are becoming an integral part of the business. The Dynamatic® Board exercises its fiduciary responsibility in a broad sense in every facet of its operations. Dynamatic's 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.

The Dynamatic® 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 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 has helped Dynamatic® 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 Corporate Governance policies and practices with the 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 a Board-level Leadership, HRD & Remuneration committee to oversee the Corporate Governance practices, to build leadership, to review policies from time to time keeping in view the size and needs of the Company and recommend the same to the Board for adoption.
- The Corporate Governance Guidelines of the Company sets out policies for the 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, for SEBI (Substantial acquisition of shares and Take over) Regulations, Key accounting policies, Interaction with investors / shareholders / analysts through analyst meets, conference calls on quarterly results, etc.,
- These guidelines are constantly monitored and reviewed by the committee from time to time.
- The Statutory Auditors of the Company had conducted the Corporate Governance Audit for the year under review. The Annual Audit Report on Corporate Governance was placed on the Board which is included in the Annual Report.
- 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 Directors is a Promoter Director. The Board periodically reviews changes 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***
Non-Executive & Independent Directors				
Mr. Vijai Kapur	80	1	1	1
Dr. K. Aprameyan	68	2	1	1
Air Chief Marshal S. Krishnaswamy (Retd.)	68	1	2	2
Mr. Govind Mirchandani	60	1	-	-
Ms. Malavika Jayaram	40	1	-	-
Mr. S. Govindarajan	68	1	1	-
Non-Executive & Non- Independent Directors				
Mr. Raymond Keith Lawton	58	1	1	-
Executive Directors				
Mr. B. Seshnath	53	1	-	-
Mr. N. Rajagopal	62	1	-	-
Mr. V. Sunder	49	3	1	-
Executive & Promoter Director				
Mr. Udayant Malhoutra	45	5	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 2010-11.

* 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**', '**Nomination Committee**' and '**Technical Development Committee**' of the Company.

Independent Directors

An Independent Director is 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 the 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

Your Company's present policy is to have a Non-Executive Chairman. Mr. Vijai Kapur is the Chairman of the Board of Directors of the Company.

The 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 of the business units.

Directors' Profile

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

1. Mr. Vijai Kapur, Chairman

Mr. Vijai Kapur, aged 80 years, was formerly the Deputy Managing Director of the GKW Limited and the past President of AIEI (now called CII). He has been the Director of the Company since 1992 and 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 68 years old and has been a Director of the Company since 2003.

He 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 University of Paris, 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.

He 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 the 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 the National Council, Confederation of Indian Industries (CII). At present, Dr. K. Aprameyan is a member of the 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 26th June, 2008.

He is the Chairman of the Technical Development Committee and a member of the Leadership, HRD & Remuneration and Audit Committees of the Company.

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

Air Chief Marshal S. Krishnaswamy (Retd.), aged 68 years, joined the Indian Air Force as an under graduate. He has also obtained a post graduate degree in Military Science. Air Chief Marshal S. Krishnaswamy (Retd.), has had a very distinguished career in the Indian Air Force (IAF) and has held several senior positions, culminating in his appointment as the Chief of Air Staff of the IAF from 2002 upto his retirement on 31st 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 the 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 Electronic Warfare system.

He has been a Director of the Company since 2005.

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

4. Mr. Govind Mirchandani, Director

Mr. Govind Mirchandani, aged 60, is a graduate from the Indian Institute of Technology, Mumbai, and had his PGDM from the Indian Institute of Management, Kolkata. His areas of specialization are of Leadership, Building High Performance Organizations, Brands and Retail Management. Mr. Govind Mirchandani has had a very distinguished career, having held positions of seniority in various industries for over three decades. He has been the Executive Director & CEO of Reid and Taylor, Director of Brand House Retails Limited, CEO & Director, President of the Denim Division of Arvind Mills Limited, President & CEO of Personality Limited, General Manager in Shalimar Paints Limited and the Business Head, Interlinings division, Madura Coats Limited. He was also responsible for launching Arvind Denim in India in 1987, as well as several other international and domestic brands in India

including Arrow, Lee, Wrangler, Excalibur, Newport, Reid & Taylor, Belmonte, Stephens Brothers, etc. He has won several IMAGES Awards and is also a recipient of the Indira Super Achiever Award, and the coveted Bharat Vikas Award for outstanding contribution to the field of management. He has been the past Chairman of YPO Bangalore Chapter and the National Vice President of 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 40, is a lawyer and has completed her integrated BA-LLB degree in 1994 from the National Law School of India, Bangalore. She secured 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. Ms. Malavika Jayaram a partner in Jayaram & Jayaram Associates since August 2006 and has been 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. She has worked in London, UK, with the international law firm, Allen and Overy, as Vice President in Citigroup Technology Legal Team and also as a Senior Business Analyst within the Operations function of the Investment Bank.

Ms. Malavika Jayaram 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. S. Govindarajan, aged 68, has had an outstanding career in the State Bank of India, which culminated with his tenure as the Managing Director & Group Executive National Banking group, State Bank India.

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

Mr. Govindarajan was nominated to the Board of SBI Cards & Payment Services Pvt. Limited, GE Capital Business Process Management Services Pvt. Limited, State Bank of India, Canada, SBI International (Mauritius) Limited, National Stock Exchange of India Limited and SBI Life Insurance Company Limited.

He was an Independent Director on the Board of KLG Systel Limited, Gurgaon, Haryana and resigned from the Board effective 13th May, 2010.

During the year he joined as a member of Disciplinary Action and Default Committee of the National

Commodities and Derivatives Exchange, Mumbai.

Mr. Govindarajan is a member of Audit Committee and Nomination Committee of the Company.

7. Mr. Raymond Keith Lawton, Director

Mr. Raymond Keith Lawton, aged 58 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. He became the Executive Chairman of Sauer Danfoss, Swindon in 2004. He is currently Executive Director & Chief Operating Officer of the Hydraulics division of the Dynamatic Limited, UK, a Wholly Owned Subsidiary of the Company.

He has been instrumental in transforming the facility in Swindon from a conventional manufacturing plant in to 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.

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

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

Mr. B. Seshnath, aged 53 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 as Executive Director & Chief Marketing Officer (CMO) of Dynamatic Technologies Limited.

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 62 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 Dae Rim 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 a strategic level.

Mr. Rajagopal is a member of the Technical Development Committee of the Company.

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

Mr. V. Sunder, aged 49 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 a 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 and Group CFO, heads the corporate functioning of finance and works along with Mr. Udayant Malhoutra, CEO & Managing Director in planning & driving Corporate Strategy.

Mr. Sunder is a member of the Shareholders Committee of the Company.

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

Mr. Udayant Malhoutra, aged 45, 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 an Executive Director. He is currently designated as 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 10th five year plan (2001) and Chairman, Sub-Group on Minerals, Metals, Materials & Manufacturing sector for formulation of 10th 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 presently the Chairman of CII National Committee on Design (2010-2012) and Member, CII National Council (2010-2012).

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.

Mr. Udayant Malhoutra 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. The 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 recommendations to the Board for the induction of any new Director.

Board compensation policy

Remuneration Committee, which is a part of the Leadership, HRD and Remuneration Committee, determines and recommends to the Board the compensation payable to the Directors. The compensation payable to Executive/ Non-Executive Directors is approved by the requisite authorities as may be necessary under Indian statute. The Remuneration of the Executive Directors consists of fixed components and performance incentives. The Committee reviews the performance of the Executive Directors annually and approves the compensation within the parameters set by the Shareholders at the Shareholders 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 31st March, 2011.

Name of the Director	Remuneration			Total ₹	No. of shares
	Sitting fees* ₹	Salary & allowance ₹	Perquisites ₹		
Non-Executive & Independent Directors					
Mr. Vijai Kapur	150,000	-	-	150,000	-
Dr. K. Aprameyan	270,000	-	-	270,000	-
Air Chief Marshal S. Krishnaswamy (Retd.)	300,000	-	-	300,000	69
Mr. S. Govindarajan	255,000	-	-	255,000	-
Mr. Govind Mirchandani	135,000	-	-	135,000	-
Ms. Malavika Jayaram	135,000	-	-	135,000	-
Non-Executive & Non-Independent Directors					
Mr. Raymond Keith Lawton	90,000	-	-	-	-
Executive Directors					
Mr. V. Sunder	-	3,622,763	349,883	3,972,646	-
Mr. N. Rajagopal	-	3,104,667	302,400	3,407,067	278
Mr. B. Seshnath	-	3,104,667	198,480	3,303,147	-
Executive & Promoter Director					
Mr. Udayant Malhoutra	-	3,975,336	320,814	4,296,150	9,63,578

Note:

* None of the Non-Executive Directors have any material financial interest in the Company. Only sitting fees have been paid to the Non-Executive Directors including the Chairman of the Board for attending the 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 are also used to enable Directors who are traveling to participate in the meetings.

During the year 2010-11, Eight (8) Board meetings were held on 14th May 2010, 22nd July 2010, 31st July 2010, 13th August 2010, 22nd September 2010, 12th November 2010, 7th February 2011 and 8th February 2011.

Board meetings and the attendance of Directors

Name of the Director	No. of meetings		Participation Via Tele Conference
	Held	Attended	
Mr. Vijai Kapur	8	5	-
Dr. K. Aprameyan Air Chief Marshal	8	8	-
S. Krishnaswamy (Retd.)	8	7	-
Mr. Raymond Keith Lawton	8	4	-
Mr. Govind Mirchandani	8	6	-
Mr. S. Govindarajan	8	8	-
Ms. Malavika Jayaram	8	7	-
Mr. B. Seshnath	8	8	-
Mr. N. Rajagopal	8	8	-
Mr. V. Sunder	8	8	-
Mr. Udayant Malhoutra	8	7	1

Notes:

Leave of absence was granted to those members who did not attend the meeting.

The meeting held on 11th March 2011 was meant for the Bangalore Directors only. All the Directors based in Bangalore were present except Mr. Govind Mirchandani who was granted leave of absence.

All the Directors attended the Annual General Meeting held on 22nd September, 2010.

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 to 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 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 the 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 attend the Board / Committee meetings as and when required.
- The Company Secretary acts as the 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.dynamatics.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 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 21st 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 been industrialists or technical experts with exposure of 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.
- Securing 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 the Statutory Auditors and fixation of audit fee.
- Approval of payment to the 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

the 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 Audit.
- 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 suspected fraud or irregularity or 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 the 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 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 2010-11

Audit Committee meetings were held on 14th May, 2010, 22nd July 2010, 13th August 2010, 12th November 2010 and 7th February 2011.

Name of the Director	No. of meetings	
	Held	Attended
Mr. Vijai Kapur	5	3
Dr. K. Aprameyan	5	5
Air Chief Marshal S. Krishnaswamy (Retd.)	5	5
Mr. Raymond Keith Lawton	5	2
Mr. S. Govindarajan	5	5

The Executive Directors of the Company / Subsidiary Company/ies, Internal Auditors, representatives of the Statutory Auditors and Financial Controller attend as invitees 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 participates and recommends 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 22nd September, 2010.

2. Leadership, HRD and Remuneration Committee

Your Company had constituted a "Remuneration Committee" at its Board meeting held on 7th 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 22nd July 2006. Further, the Committee was renamed as the "Leadership, HRD & Remuneration Committee" with effect from 11th 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 the 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 & Remuneration Committee Meetings held during the year 2010-11

Name of the Director	No. of meetings	
	Held	Attended
Air Chief Marshal S. Krishnaswamy (Retd.)	3	3
Mr. Vijai Kapur	3	2
Dr. K. Aprameyan	3	3
Mr. Govind Mirchandani	3	3

The Committee meeting was held on 22nd July 2010, 11th November 2010 and 8th February 2011.

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 2010-11

The Committee Meetings were held on 14th May 2010, 13th August 2010, 11th November 2010 and 8th February 2011.

Name of the Director	No. of meetings	
	Held	Attended
Air Chief Marshal S. Krishnaswamy (Retd.)	4	4
Mr. V. Sunder	4	4
Mr. Udayant Malhoutra	4	3

Compliance officer

Ms. G. Haritha, GM Compliance & Company Secretary is the Compliance Officer responsible 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 2010-11

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

Nature of complaints	Received during the year	Resolved during the year
Letter from SEBI/ROC /Stock Exchanges	2	2

There were no outstanding complaints as on 31st March, 2011. 18 requests (1,954 Equity shares) for transfers and 13 requests (1,467 Equity shares) for transmissions, transposition and deletion of name and 97 requests (16,880 Equity shares) for dematerialization were received and approved by the Company. The Company has approved all requests which had fulfilled the legal requirements. In 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 RTA 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 <http://karisma.karvy.com>

A quarterly report of the same is submitted to the Committee for improving investor relations and services provided to them. Karvy provides high quality of shareholder servicing through their services and updated technological support, thereby ensuring that your Company provides its investors with the best possible services.

Suspense Account for the unclaimed shares

Pursuant to clause 5A of the Listing Agreement, your Company has sent reminders to Shareholders which remained unclaimed out of the shares issued by the Company. Necessary formalities will be fulfilled by the Company to transfer the unclaimed shares into the suspense account.

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. Technology Development Committee (a voluntary initiative by the Company)

The Technology Development Committee, which was constituted by the Board in 2003, 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 updates the skills and competence required, the structure and the process needed to ensure that the R&D initiatives of 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 products and technologies keeping in mind the customers and business strategy of the Company.
- 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 to processes and products.
- Work 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 Lawton

Ms. Malavika Jayaram

Mr. N. Rajagopal

Mr. Udayant Malhoutra

Attendance at the Technical Development Committee meetings during the year 2010-11

The meeting was held on 14th August, 2010

Name of the Director	No. of meetings	
	Held	Attended
Dr. K. Aprameyan Air Chief Marshal S. Krishnaswamy (Retd.)	1	1
Ms. Malavika Jayaram	1	1
Mr. N. Rajagopal	1	1
Mr. Udayant Malhoutra	1	1

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 14th 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 his/her availability of time 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 of the Board
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 Boards for management in the best interests 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 regularly.

Your Company has the following Subsidiaries:

JKM Research Farm Limited, India

JKM ERLA Automotive Limited, India

JKM Global Pte. Limited, Singapore

Dynamatic Limited, UK

Yew Tree Investments Limited, UK

During the year the ministry has issued a notification vide Circular No. 2/2011 dated 8th February 2011 which exempts companies from attaching the Balance Sheet and other reports of the Subsidiaries provided the companies comply with the requirements as issued by

the notification. 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, Dr. K. Aprameyan, Ms. Malavika Jayaram and Mr. Govind Mirchandani will retire in the ensuing Annual General Meeting.

The Board has recommended the re-appointment of all the retiring Directors.

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

Communication to the Shareholders'

The Quarterly Results of the Company for the quarters ended 30th June, 30th September, 31st December and 31st March, are published in all India editions of the Business Standard and in the Bangalore edition of Sanjevani. The results are displayed on the Company's website **www.dynamatics.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 the Chairman's speech is distributed to all the shareholders at the Annual General Meeting.

The Company issues reminders to concerned shareholders about unclaimed dividends as well as physical shares which require demat.

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 Issue, Rights Issue and Preferential Issue, 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 instances of non-compliance by the Company or 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 the CEO & Managing Director about such matters. The Directors and the management personnel are mandated to maintain the 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
2007-08 AGM	Registered Office, Bangalore	27 th September, 2008 at 3:00 p.m.	<ul style="list-style-type: none"> Approval for increasing FII limits
EGM	Registered Office, Bangalore	30 th June, 2008 at 3:00 p.m.	<ul style="list-style-type: none"> Approval of Issue of Shares to persons other than existing shareholders through QIP Placement.
2008-09 AGM	Registered Office, Bangalore	25 th August, 2009 at 3:00 p.m.	<ul style="list-style-type: none"> Approval for borrowing powers in excess of paid up capital and free reserves not exceeding ₹350 crores.
2009-2010 AGM	Registered Office, Bangalore	22 nd September, 2010 at 3:00 p.m.	<ul style="list-style-type: none"> Approval for re-appointment of Mr. B. Seshnath, ED & CMO.

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 and a Qualified Institutional Placement of shares to FII's during 2008. The Shares have been listed on the Bombay Stock Exchange and the National Stock Exchange of India Limited. On the merger of JKM Dae Rim Automotive Limited, (JDAL), (a subsidiary of your Company) with your Company, Dynamatic®, had issued the shares to the shareholders of JDAL.

The address of 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 unclaimed dividend	Due date for transfer to IEPF
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	28.09.2007	28.09.2014	28.10.2014
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
Final dividend	22.09.2010	22.09.2017	22.10.2017
2010-11			
Interim dividend-I	12.11.2010	12.11.2017	12.12.2017
Interim dividend-II	07.02.2011	07.02.2018	07.03.2018
Final dividend	13.08.2011	13.08.2018	13.09.2018

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

The Board of Directors of the Company declared an Interim Dividend/s of ₹3/- and ₹3/- per share of face value ₹10/- each at its Board meeting held on 12th November 2010 and 7th February 2011.

The record dates for the purpose of payment of an Interim Dividend/s were fixed as 22nd November 2010 and 15th February 2011.

Your Board of Directors have recommended a Final Dividend of ₹4/- per share.

Register of Members and share transfer books will remain closed from 6th August 2011 to 13th August, 2011 (both days inclusive) to determine the entitlement of shareholders to receive the Final Dividend as may be declared for the year ended 31st March, 2011.

Final Dividend will be paid on or before 13th September 2011, 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 members whose names appear in the statements of beneficial ownership furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) as at the opening hours on 6th August 2011.

Investor services

The Company has paid the listing fee for the year 2010-11 to the Stock Exchanges, where the shares of the Company are listed in India.

Annual General Meeting for the year 2010-11

Date and time Saturday, 13th August, 2011

Venue Dynamatic Park Peenya Bangalore 560058

Financial calendar Our tentative calendar for declaration of results for the financial year 2009-10 is given below:

Calendar for Reporting:

Quarter ended

30th June, 2011 (Audited 1st quarter results)

30th September, 2011 (Audited 2nd quarter results)

31st December, 2011 (Audited 3rd quarter results)

31st March, 2012 (Audited 4th quarter results)

Release of results

Before 14th August, 2011

Before 14th November, 2011

Before 14th February, 2012

Before 30th May, 2012

International Securities Identification Number (ISIN No):

ISIN is the identification number for traded shares, which needs to be quoted in every transaction relating to the dematerialized shares of the Company. The ISIN number for Dynamatic's equity shares is INE221B01012

Corporate Identity Number (CIN):

The CIN, allotted by the Ministry of Corporate Affairs, Government of India, is L72200KA1973PLC002308 and our Company Registration Number is 2308.

Distribution Schedule

Particulars	31 March, 2011		
	No. of Shareholders	No. of Shares	% of No. of Shares
1 to 5000	5,162	781,491	14.43
5001-10000	11	76,293	1.41
10001-20000	10	173,569	3.21
20001-30000	3	67,168	1.24
30001-40000	2	71,464	1.32
40001-50000	2	94,000	1.74
50001-100000	4	254,961	4.71
100001 & ABOVE	11	3,895,757	71.94
	5,205	5,414,703	100.00

Shareholding Pattern

Category	31 March, 2011		31 March, 2010	
	No. of Shares held	%	No. of Shares held	%
PROMOTERS HOLDING				
Indian Promoters				
Udayant Malhoutra	963,578	17.80	936,707	17.30
JKM Holdings Pvt. Limited	803,135	14.83	803,135	14.83
Udayant Malhoutra & Co. Pvt. Limited	676,761	12.50	688,518	12.72
JKM Offshore India Pvt. Limited	434,769	8.03	434,769	8.03
Wavell Investments Pvt. Limited	88,590	1.64	88,590	1.64
Barota Malhoutra	1	0	4,938	0.09
Vita Pvt. Limited	100	0	100	0
Christine Hoden (I) Pvt. Limited	100	0	100	0
Primella Sanitary Products Pvt. Limited	100	0	100	0
Total	2,967,134	54.80	2,957,057	54.61
NON-PROMOTERS HOLDING				
Institutional Investors				
Mutual Funds	10,550	0.19	10,650	0.20
Banks, Financial Institutions, Insurance Companies	392	0.01	551	0.01
Foreign Institutional Investors	12,66,641	23.39	1,182,433	21.84
Total	1,277,583	23.59	1,193,634	22.04
OTHERS				
Private Corporate Bodies	113,000	2.09	120,082	2.22
Indian Public	1,029,314	19.00	1,116,900	20.63
NRIs/OCBs	19,640	0.36	22,549	0.42
Trust	3,850	0.07	3,850	0.07
Clearing Agents	4,182	0.07	631	0.01
Total	1,169,986	21.60	1,264,012	23.35
Grand Total	5,414,703	100.00	5,414,703	100.00

Share market price data

The monthly high and low quotations and volume of shares traded on Bombay Stock Exchange Limited and National Stock Exchange of India Limited for the year 2010-2011:

Month	BSE			NSE		
	High (₹)	Low (₹)	Volume of shares traded	High (₹)	Low (₹)	Volume of shares traded
April 2010	1,234	1,060	41,310	1,234	1,060	1,850
May 2010	1,134	898	9,926	1,164	907	736
June 2010	1,084	901	16,180	1,076	925	1,124
July 2010	1,068	875	44,252	1,058	926	947
August 2010	1,184	847	90,834	1,188	906	4,279
September 2010	1,325	1,125	47,843	1,330	1,132	3,767
October 2010	1,358	1,153	103,370	1,335	1,162	1,002
November 2010	1,338	993	7,071	1,274	992	739
December 2010	1,323	1,000	19,863	1,323	1,000	1,026
January 2011	1,405	1,050	18,702	1,409	1,070	843
February 2011	1,144	1,020	22,848	1,252	1,025	756
March 2011	1,384	1,005	58,363	1,405	1,036	959

Note:

High and Low are in Rupees (₹) per traded share, Volume is the total monthly shares traded.

Status of dematerialization of shares

Particulars	31 March, 2011		31 March, 2010	
	No. of Shares	% of Total Shares	No. of Shares	% of Total Shares
National Securities Depository Limited	3,285,312	60.67	3,298,690	60.92
Central Depository Services (I) Limited	159,040	2.94	128,782	2.38
Total Dematerialized	3,444,352	63.61	3,427,472	63.30
Physical	1,970,351	36.39	1,987,231	36.70
Grand Total	5,414,703	100.00	5,414,703	100.00

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, 4th 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
17th Floor
Dalal Street, Fort
Mumbai 400 023
Tel.: +91 22 2272 3333

Shareholders holding shares in demat/electronic form are requested to approach their Depository participants for effecting the 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 numbers
- Incorporation of Nomination
- Transfer of shares or effecting transposition of names of share holders.

Further, for any corporate actions like payment of dividends, etc., the Company will take your share holding details from your DP account through the 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

Based on the feedback received from shareholders time to time, we are constantly in the process of enhancing our service levels to the shareholders/ investors.

NOTE:

As usual, your Company will be providing transport facility at 12:30 noon from Minerva Mills to the venue. After the meeting, shareholders will be dropped back at their pick up point. Those who wish to avail this facility are requested to confirm their request at the following numbers:

Tel: +91 80 28394933 / 34 / 35 (Extn: 254) (Contact: Corporate Secretarial Team)

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

Your requests must reach us latest by 8th August, 2011

CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE

To the Members of
Dynamatic Technologies Limited

We have examined the compliance of conditions of Corporate Governance by Dynamatic Technologies Limited (the Company) for the year ended 31 March 2011, as stipulated in Clause 49 of the Listing Agreement of the Company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company, for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

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



Rajesh Arora
Partner
Membership No.: 076124

Place : Bangalore
Date : 28th May 2011



Your beliefs become your thoughts. Your thoughts become your words. Your words become your actions. Your actions become your habits. Your habits become your values. Your values become your destiny.

- Mahatma Gandhi

CORPORATE SUSTAINABILITY REPORT

MESSAGE FROM THE C.E.O & MANAGING DIRECTOR

If Dynamatic Technologies has been successful in consistently achieving high growth rates, it is largely due to its philosophy of proactively pursuing balanced and sustainable business policies.

These include a deep commitment to improving the quality of its products on a continual basis, providing improved value to its customers, improving the quality of life of its employees, providing a secure environment for its financiers and suppliers, and contributing to our Society, Environment and Nation.

Our approach towards sustainability has not been based on stand-alone initiatives, but rather on a holistic and integrated approach to business development. Happy employees are performers. They develop innovative products efficiently, and serve customers' needs by delivering value for money. This ensures the long-term economic relevance of our enterprise, in turn creating a secure environment for financiers and suppliers. From this basic business cycle, come profits on a sustainable basis.

Key Learnings

A business philosophy that abjures waste and is based on conservation and optimal utilization of resources, will also simultaneously deliver superior financial results along with a positive ecological impact.

A focus on Safety, Human Resource Development and enhancement of Intellectual Property will help de-risk the Company, and also contribute to societal development.

Eventually sustainable business policies form an important and integral part of good corporate governance.

Udayant Malhoutra

Chief Executive Officer & Managing Director

1. OUR VISION, BUSINESS PHILOSOPHY AND SUSTAINABILITY

- To secure market leadership, technological competence and enhance brand equity as a global leader
- To provide a safe, nurturing and learning environment for our human resources
- To have a zero tolerance of any transmission of wastes into the environment
- To secure and de-risk financiers and suppliers
- To transform the Company into a global R&D organization, with a pre-eminent market position in the Hydraulic, Automotive and Defence sectors in Asia
- To consistently achieve returns higher than the cost of capital
- To comply with all legal requirements expected of the Company in every country we are present
- To enhance shareholder wealth
- To help in the creation of a strong, modern and vibrant India
- To be an example to any corporate, anywhere in the world, in terms of global best-in-class environmental practices.

Our Vision & Business Philosophy is driven by our Values, which are:

1.1. CUSTOMER CENTRIC RESEARCH

Over the years, Dynamatic® Divisions and Subsidiaries have forged deep and lasting relationships with all



Clean Energy generated by the JKM Wind Farm at Coimbatore

their stakeholders, which have enabled them to grow continuously. These relationships are based on mutual trust and respect, and upon their collective capabilities in delivering complex technological solutions, at economically viable price levels.

We are geared towards providing innovative and creative solutions to our customers on a continuous basis. Every business process is built around the customer. We firmly believe that our success is merely a reflection of our ability to delight our customers.

We interact constantly with our customers, understand their needs and endeavor to satisfy them. We strive to satisfy the customers' stated and unstated needs, by understanding applications and anticipating future trends. We spend considerable time in the field, listening to farmers, mechanics, drivers, equipment handlers... And very often suggest improvements to our customer, before their customers do. Our technology and quality processes are therefore predictive in nature, anticipating change, rather than reacting to it.

1.2 EMPHASIS ON KNOWLEDGE ACQUISITION AND APPLICATION

Dynamatic® has been adopting and following world-class business practices, at its modern manufacturing facilities located at Bangalore, Chennai, Nasik (India), Swindon, Bristol (U.K) and Erla (Germany). All are eco-friendly and designed to eliminate waste. We constantly strive to deliver superior value to our customers by challenging ourselves and pushing the boundaries of knowledge through imagination and diligence. This approach has led us to continuously innovate and develop highly engineered products, through investment in R&D, process improvements and elimination of operational inefficiencies. This has resulted in us building a successful business model for ourselves, capable of returning high yields to investors and improving the quality of life of all employees, as well as the society/community in which we exist and work. As Dynamatic® globalizes, these values will be extended across the world, and in turn, new learnings, best practices, processes and experiences will be absorbed into the existing organization.

1.3 HUMAN CAPITAL

Dynamatic® is built upon a foundation of basic values, and its commitment to quality and equal opportunity. Your Company strives to attract the finest talent available and then provides a result-oriented

SOCIAL development

Creating development opportunities for its employees!



Dynamatic's Internal Merit Programme offers talented shop floor employees the opportunity to elevate themselves into the managerial cadre. Workers, who are proven innovators with leadership and team skills, are invited to join this programme and undergo training and mentoring to be effective managers. In the four years since the introduction of this scheme, 18 workers have been elevated into the managerial cadre, of which 3 are currently in the executive cadre.

environment based on meritocracy and egalitarianism.

At Dynamatic®, we firmly believe that the key to sustained growth is not mere addition to physical capacities but is actually the ability to dramatically enhance and utilize human capabilities.

1.4 SOCIETAL LINKAGES

We are proud of our civilizational heritage, and the values of our ancient land; the values of trust and integrity. The need to contribute to society, and care for our environment. The value of enduring relationships.

At the same time, as we globalize, we travel with an open mind, learning from and contributing to every society we are part of.

2. DIMENSIONS OF SUSTAINABILITY

2.1. SUSTAINABILITY POLICY

We at Dynamatic® are driven by the fundamental objective of enhancing the value of the Company to all stakeholders, such as shareholders, customers, suppliers, financiers, employees and to the society at large. We firmly believe that sustained growth can only be fostered by developing a work ethic founded upon the core values of integrity, transparency, professionalism, empowerment and accountability. We endeavor to uphold and nurture these core values in all facets of operations.

Being a responsible corporate citizen, we understand that sustained growth can only come about when

equal attention is paid to all elements of the Triad of Sustainability, namely Economic Growth, Environment Friendliness and Social Equity. We believe that such growth can only be achieved through a firm commitment to these elements over the long term, and are prepared to take actions commensurate to this goal.

2.2 THE TRIAD OF SUSTAINABILITY

At Dynamatic®, the path to sustainability has the following elements:

Economic Growth, Environment-Friendliness and Social Equity.

2.2.a. ECONOMIC GROWTH

- Value Engineering: reduction of raw material consumption by optimizing product design
- Maximize our efforts in developing new products and cost effective applications through continuous innovation
- Development of complete hydraulic solutions for mechanized agriculture, earth moving, material handling, machine tools, defense and precision parts for aerospace applications
- Secure market leadership, technological competence and brand equity as a global leader.
- Maximization of productivity and maintenance of cost leadership
- Continue to enhance the value of the Company to the shareholders

2.2 b. ENVIRONMENT- FRIENDLINESS

- Treatment of wastage water and using it for gardening as a process of water conservation.
- Rainwater harvesting
- All business processes are designed to ensure that no wastage is transmitted to our environment

SOCIAL responsibility

Dynamatic reaches out to the communities it is a part of, to assist in local area development, both social and environmental. As a part of its Social Development Programme, Dynamatic has adopted a local government school and sponsors building and welfare projects for the benefit of the students and teachers. The Company has also been associated with the Samarthana Trust for the Disabled, Helpage India and the Laadli Girl Child Campaign.

GREEN energy

Dynamatic's acquisition of Eisenwerk Erla GmbH has enhanced its capabilities to design, develop and manufacture high precision, complex metallurgical products for Automotive Turbochargers. Turbochargers are devices that use exhaust gases to compress fresh air that goes into the engine, i.e. using waste gases to boost engine performance, thereby optimising fuel consumption and reducing emissions.

- Energy consumption in each plant is monitored, optimized and minimized
- Design and Redesign products that are safe, energy saving and environment friendly
- Design all our processes with efficiency and energy conservation in mind.

2.2.c. SOCIAL EQUITY

- Not allowing any form of discrimination in employment or promotion
- Imparting training and development programs to facilitate multi-tasking and multi-skilling
- Practicing safety norms and help protection. Standing as a model by winning safety awards
- Emissions: the air quality in our plants is continuously monitored for suspended particulate matter, and is kept well within safe limits.
- Foster a culture of empowerment
- Elevation of workers into management cadre
- Promote the usage of six sigma practices amongst all employees
- Practice open dialogue with employees, customers, government agencies, trade associations and with communities all around our facilities
- Undertake disaster relief programs in times of need (earthquake, floods, Tsunami, etc.)
- Interactive sessions with local community
- Increase employment of Women
- Increase employment of individuals coming from disadvantaged communities.

AUDITORS' REPORT TO THE MEMBERS OF DYNAMATIC TECHNOLOGIES LIMITED

We have audited the attached balance sheet of Dynamatic Technologies Limited ("the Company") as at 31st March 2011, 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 31st March 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as at 31st March 2011 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 31st March 2011;
- (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 : 28th May, 2011

ANNEXURE TO THE AUDITORS' REPORT

Annexure referred to in our report to the members of Dynamatic Technologies Limited ("the Company") for the year ended 31st March 2011. 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 by the Management.

- (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 ₹109,028,473 and the year-end balance of such loan was ₹107,844,694. 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 payment of interest has been regular.
- (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 ₹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, 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. As explained to us, the Company did not have any dues on account of Investor Education and Protection Fund.
- 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, Wealth tax, Service tax, Customs duty, Excise duty and other material statutory dues that were in arrears as at 31st March 2011 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, Wealth tax, Service tax, Customs duty and Excise duty which have not been deposited on account of any dispute. For our comments on cess, refer to Para (ix) (a).

- (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

Place : Bangalore

Date : 28th May, 2011

BALANCE SHEET AS AT MARCH 31, 2011

(₹ in '000)

		As at 31 March 2011	As at 31 March 2010
SOURCES OF FUNDS	Schedule		
Shareholders' funds			
Share capital	2	54,147	54,147
Reserves and surplus	3	1,661,748	1,406,538
Loan funds			
Secured loans	4	2,452,440	1,737,888
Unsecured loans	5	230,844	119,232
Deferred tax liability, net	20(6)	261,977	230,901
		4,661,156	3,548,706
APPLICATION OF FUNDS			
Fixed assets			
Gross block	6	3,877,018	3,245,297
Less: Accumulated depreciation		1,264,967	1,062,007
Net block		2,612,051	2,183,290
Capital work-in-progress		508,933	84,382
		3,120,984	2,267,672
Investments	7	524,357	509,857
Current assets, loans and advances			
Inventories	8	572,013	425,880
Sundry debtors	9	868,251	664,174
Cash and bank balances	10	70,109	52,594
Other current assets	11	71,601	37,857
Loans and advances	12	454,295	324,736
		2,036,269	1,505,241
Current liabilities and provisions			
Current liabilities	13	959,226	698,769
Provisions	14	61,228	35,295
		1,020,454	734,064
Net current assets		1,015,815	771,177
		4,661,156	3,548,706
Significant accounting policies	1		
Notes to the accounts	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



Rajesh Arora
Partner
Membership No.: 076124

Place : Bangalore
Date : 28th May 2011

for and on behalf of the Board of Directors



VIJAI KAPUR
Chairman



S GOVINDARAJAN
Director



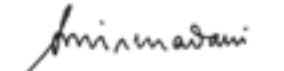
N RAJAGOPAL
Executive Director and CTO



UDAYANT MALHOUTRA
CEO and Managing Director



Dr. K APRAMEYAN
Director



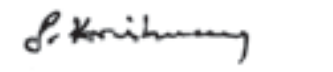
GOVIND MIRCHANDANI
Director



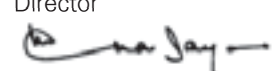
B SESHNATH
Executive Director and CMO



N RAM MOHAN
Financial Controller



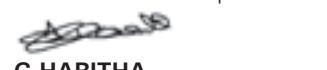
**Air Chief Marshal
S. KRISHNASWAMY (Retd.)**
Director



MALAVIKA JAYARAM
Director



V SUNDER
President and Group CFO



G HARITHA
GM-Compliance & Company
Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

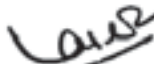
(₹ in '000)

	Schedule	For the year ended 31 March 2011	For the year ended 31 March 2010
Income			
Sale of manufactured products		3,410,250	3,060,557
Less: Excise duty		304,843	229,534
Sale of manufactured products, net		3,105,407	2,831,023
Income from project execution services		436,558	142,379
Service income		1,022	3,825
Other income	15	61,615	49,751
		3,604,602	3,026,978
Expenditure			
Cost of materials consumed	16	1,905,118	1,639,690
Personnel expenses	17	519,104	404,034
Other operating expenses	18	518,194	443,908
		2,942,416	2,487,632
Profit before depreciation, interest and tax (EBITDA)		662,186	539,346
Depreciation (net of revaluation reserve adjustment)	6	204,065	185,663
Interest and finance charges	19	240,543	214,265
Profit before taxation		217,578	139,418
Provision for tax			
- current tax		44,170	21,817
- minimum alternate tax credit entitlement		(6,432)	(11,928)
- deferred tax charge		31,076	21,126
- wealth tax		343	229
Profit after tax		148,421	108,174
Balance brought forward from previous year		332,483	282,638
Amount available for appropriation		480,904	390,812
Appropriations			
- Interim dividend		32,488	24,366
- Proposed dividend		21,659	16,244
-Tax on dividend		8,909	6,901
Transferred to general reserve		14,842	10,818
Balance carried forward		403,006	332,483
		480,904	390,812
Earnings per share - basic and diluted (Equity share par value ₹10 each)	20(14)	27.41	19.98
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.

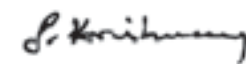
As per our report attached
for **B S R & Associates**
Chartered Accountants
Firm Registration
Number: 116231W

for and on behalf of the Board of Directors


Rajesh Arora
Partner
Membership No.: 076124


VIJAI KAPUR
Chairman


Dr. K APRAMEYAN
Director


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


S GOVINDARAJAN
Director


N RAJAGOPAL
Executive Director and CTO


GOVIND MIRCHANDANI
Director


B SESHNATH
Executive Director and CMO


MALAVIKA JAYARAM
Director


V SUNDER
President and Group CFO

Place : Bangalore
Date : 28th May 2011


UDAYANT MALHOUTRA
CEO and Managing Director


N RAM MOHAN
Financial Controller


G HARITHA
GM-Compliance & Company
Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011

(₹ in '000)

	31 March 2011	31 March 2010
A Cash flow from operating activities:		
Profit before tax	217,578	139,418
Adjustments for:		
Depreciation	204,065	185,663
Interest expense	240,543	214,265
Interest income	(11,109)	(10,894)
Loss on sale of fixed assets	525	1,002
Debts / advances written off	19,379	1,223
Provision for bad and doubtful debts/ advances	(14,002)	6,506
Unrealised foreign exchange (gain) /loss	23,434	(36,546)
Operating cash flow before working capital changes	680,413	500,637
Adjustments for changes in working capital :		
Changes in sundry debtors	(209,454)	52,412
Changes in other receivables	(162,468)	(7,680)
Changes in inventories	(146,133)	(51,359)
Changes in trade and other payables	244,883	49,745
Changes in provisions	8,425	(215)
Adjustment for unrealised foreign exchange (loss)	(23,434)	36,546
Cash generated from operating activities	392,232	580,086
Income tax paid	(35,707)	(19,613)
Net cash from operating activities	356,525	560,473
B Cash flow from investing activities:		
Purchase of fixed assets	(876,130)	(182,993)
Proceeds from sale of fixed assets	2,771	2,021
Purchase of investments	(14,500)	-
Loans to subsidiary company	1,184	13,505
Interest received	4,392	18,504
Net cash used in investing activities	(882,283)	(148,963)

31 March 2011

31 March 2010

C. Cash flow from financing activities:

Proceeds from borrowings	871,261	155,587
Repayment of borrowings	(475,069)	(259,497)
Deferral sales tax Payment	(3,306)	-
Proceeds from public deposits (net)	10,314	12,345
Proceeds from cash credits/ working capital loans (net)	319,096	6,420
Proceeds from buyer's credit (net)	104,603	(74,800)
Interest paid	(227,682)	(218,661)
Dividend paid	(47,035)	(45,473)
Dividend tax paid	(8,909)	(7,822)
Net cash used in financing activities	543,273	(431,901)
Net Increase/(decrease) in cash and cash equivalents	17,515	(20,391)
Cash and cash equivalents at the beginning of the year	52,594	72,985
Cash and cash equivalents at the end of the year*	70,109	52,594
	17,515	(20,391)

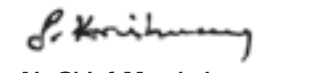
* includes restricted term deposits ₹50,620 (Previous year ₹27,684)


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


VIJAI KAPUR
Chairman


Dr. K APRAMEYAN
Director


Air Chief Marshal
S.KRISHNASWAMY (Retd.)
Director

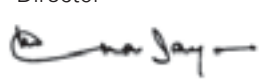
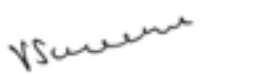

Rajesh Arora
Partner
Membership No.: 076124


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President and Group CFO

Place : Bangalore
Date : 28th May 2011


UDAYANT MALHOUTRA
CEO and Managing Director


N RAM MOHAN
Financial Controller


G HARITHA
GM-Compliance & Company
Secretary

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 accrual basis other than the assets revalued. 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 thousand.

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 ₹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 and in 2010-11. Other than land, 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, or 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 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, 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 is 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:

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.

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 1st 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 contract 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. Warranties

Warranty costs are estimated by the Management on the basis of technical evaluation and past experience. The 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 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 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. 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.

s. 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.

t. Cash flow statement

Cash flows are reported using indirect method, whereby net profit 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.

u. Cash and cash equivalent

Cash and cash equivalents comprise cash balances on hand and cash balance and deposits with banks.

	As at 31 March 2011	As at 31 March 2010
		(₹ in '000)
2. Share capital		
Authorised:		
20,000,000 (Previous year: 20,000,000) equity shares of ₹10 each	200,000	200,000
500,000 (Previous year: 500,000) redeemable cumulative preference shares of ₹100 each	50,000	50,000
	250,000	250,000
Issued, subscribed and paid-up:		
5,414,703* (Previous year: 5,414,703) equity shares of ₹10 each fully paid up	54,147	54,147
	54,147	54,147

* 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.

	As at 31 March 2011	As at 31 March 2010
3. Reserves and surplus		
Capital reserve	1,500	1,500
Capital redemption reserve	24,000	24,000
Reserve on amalgamation	15,429	15,429
Securities premium account	731,137	731,137
Revaluation reserve:		
Balance at the beginning of the year	16,739	17,081
Additions during the year (refer to note 28 of schedule 20)	185,616	-
(Less): Additional depreciation charge on revalued fixed assets	(342)	(342)
Hedge reserve: (refer to note 24 of schedule 20)		
Balance at the beginning of the year	(12,064)	(63,544)
(Additions) during the year	(15,429)	51,480
General reserve:		
Balance at the beginning of the year	297,314	286,496
Add: Transferred from profit and loss account	14,842	10,818
Profit and loss account	403,006	332,483
	1,661,748	1,406,538
4. Secured loans		
From banks		
Ruppee term loan *	799,430	676,476
Foreign currency term loan *	860,702	600,380
Cash credit and working capital loan #	770,958	451,862
Vehicle loan^	18,199	7,164
From others #		
Vehilce loan^	3,151	2,006
	2,452,440	1,737,888
* 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	39,885	29,521
[Repayable within one year ₹21,952 (Previous year: ₹14,442)]		
Foreign currency buyer's credit	149,857	45,253
[Repayable within one year ₹149,857 (Previous year: ₹45,253)]		
Short term loans-others		
- Inter corporate deposits	-	50
Sales tax deferral	41,102	44,408
[Repayable within one year ₹6,711 (Previous year: ₹3,690)]		
	230,844	119,232

6. FIXED ASSETS

(₹ in '000)

	Gross Block				Accumulated Depreciation				Net Block	
	As at 1 April 2010	Additions*	Deletions/ adjustments	As at 31 March 2011	As at 1 April 2010	Charge for the year	Deletions/ adjustments	As at 31 March 2011	As at 31 March 2011	As at 31 March 2010
Tangible assets										
Land and development (note 1 and 2)	200,990	185,616	-	386,606	-	-	-	-	386,606	200,990
Buildings (note 1)	513,002	53,642	-	566,644	62,034	17,377	-	79,411	487,233	450,968
Plant and machinery (note 3)	2,048,869	284,270	656	2,332,483	808,882	146,763	623	955,022	1,377,461	1,239,987
Measuring instruments	21,701	3,863	-	25,564	11,069	589	-	11,658	13,906	10,632
Electrical installations (note 1)	73,808	5,379	-	79,187	16,698	3,495	-	20,193	58,994	57,110
Data processing equipment	66,300	5,637	66	71,871	50,258	6,655	61	56,852	15,019	16,042
Office equipment	21,464	5,703	-	27,167	15,027	2,376	-	17,403	9,764	6,437
Furniture and fixtures	28,284	612	-	28,896	14,739	1,708	-	16,447	12,449	13,545
Tools, dies and moulds	102,616	23,992	-	126,608	32,808	11,430	-	44,238	82,370	69,808
Vehicles	56,305	21,436	7,855	69,886	17,411	5,560	4,597	18,374	51,512	38,894
Motor boat	-	38,117	-	38,117	-	-	-	-	38,117	-
Intangible assets										
Application software	36,377	2,220	-	38,597	26,558	4,187	-	30,745	7,852	9,819
Prototype development	75,581	9,811	-	85,392	6,523	8,101	-	14,624	70,768	69,058
	3,245,297	640,298	8,577	3,877,018	1,062,007	208,241	5,281	1,264,967	2,612,051	2,183,290
Previous year	2,875,449	374,637	4,789	3,245,297	873,512	190,261	1,766	1,062,007	2,183,290	

Notes:

- Gross block of land and development, buildings and electrical installations includes value added on revaluation ₹202,013 (previous year ₹16,739) (refer to note 28 of schedule 20).
- Land and development includes leasehold land ₹11,134 (previous year ₹11,134)
- Plant and machinery is net of subsidy received from the Tamil Nadu Industrial Investment Corporation Limited ₹1,877 (previous year ₹1,877)

4. Depreciation for the year is reflected as follows:

Depreciation as per Profit and loss account	2010-11
Transfer from Revaluation reserve	204,065
Depreciation capitalised for intangible assets (including CWIP thereof)	342
	3,834
	<u>208,241</u>

* Includes ₹3,381 (previous year gain ₹35,713) pertaining to loss on foreign currency loans, capitalised as per Notification no.GSR 225(E) dated 31st March 2009 issued by Ministry of Corporate Affairs.

As at
31 March 2011

As at
31 March 2010

7. Investments-in shares

Long term-other than trade (at cost)

Subsidiaries - unquoted

4,999,930 (Previous year: 3,599,930) equity shares of ₹10 each fully paid up of JKM Research Farm Limited 49,999 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

50,000 (Previous year: Nil) equity shares of ₹10 each fully paid up of JKM Erla Automotive Limited 500 -

Others-unquoted

921,530 (Previous year: 921,530) equity shares of ₹10 each fully paid up of Murablack (India) Ltd. 9,215 9,215

533,572 519,072

Less: Provision for dimunition in value of investments 9,215 9,215

524,357 509,857

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, Singapore and Dynamatic Limited, UK, both being subsidiary companies

8. Inventories

Raw materials and components * 295,598 196,066

Stores and spares 58,404 48,609

Work-in-progress # 142,045 104,095

Finished goods 75,966 77,110

572,013 425,880

Notes:

* Includes material in transit ₹22,799 (Previous year: ₹8,586) and lying with third parties ₹46,849 (Previous year: ₹41,752)

Includes stock lying with third parties ₹12,338 (Previous year: ₹7,289)

9. Sundry debtors

Unsecured

Debts outstanding for a period exceeding six months

 Considered good 121,261 115,269

 Considered doubtful 7,957 21,959

Other debts

 Considered good* 746,990 548,905

876,208 686,133

Less: Provision for doubtful debts 7,957 21,959

868,251 664,174

* Includes ₹6,520 (Previous year ₹5,113) due from Dynamatic Limited, UK. This company is under the same management within the meaning of section 370(1-B) of Companies Act, 1956

	As at 31 March 2011	As at 31 March 2010
10. Cash and bank balances		
Cash on hand	338	399
Balance with scheduled banks:		
Current accounts	19,151	24,511
Fixed deposits#	2,661	2,499
Margin money accounts*	44,913	23,082
Unpaid dividend accounts	3,046	2,103
	<u>70,109</u>	<u>52,594</u>
* Under lien against bank guarantees		
# Held under section 3A of Companies (Acceptance of deposits) Rules, 1975, under Companies Act, 1956.		
11. Other current assets		
Unbilled revenues	71,601	37,857
	<u>71,601</u>	<u>37,857</u>
12. Loans and advances		
(Unsecured, considered good except as otherwise stated)		
Advances recoverable in cash or in kind or for value to be received*	152,261	64,168
Balance with customs, excise and sales tax authorities	59,347	52,139
Loan to subsidiary company*	107,845	109,028
Advances to subsidiary company*	27,800	9,247
Other deposits	29,273	31,756
Interest accrued*	10,293	3,576
Prepaid expenses	18,655	14,963
Minimum alternative tax credit entitlement	30,504	24,072
Income tax (net of provision)	15,572	13,229
Fringe benefit tax (net of provision)	2,745	2,558
	<u>454,295</u>	<u>324,736</u>
(Unsecured, considered doubtful)		
Advances recoverable in cash or in kind or for value to be received	-	953
Less: Provision for doubtful advances	-	953
	<u>454,295</u>	<u>324,736</u>
Note:		
* Includes 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)		
13. Current liabilities		
Acceptances	311,550	264,743
Sundry Creditors		
Total outstanding dues to creditors other than micro and small enterprises (refer to note 22 of schedule 20)*	511,918	354,510
Advance from customers	30,799	8,051
Accrued salaries and benefits	30,209	27,192
Deposits received from dealers	4,450	3,625
Forward contract liability (refer to note 24 of schedule 20)	27,493	17,558
Interest accrued but not due on loans	19,902	7,041
Unclaimed dividends	3,046	2,103
Other liabilities	19,859	13,946
	<u>959,226</u>	<u>698,769</u>
Note:		
* Includes ₹1,575 (previous year ₹346) due to companies under the same management within the meaning of section 370(1-B) of Companies Act, 1956		

	As at 31 March 2011	As at 31 March 2010
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14. Provisions		
Income tax (net of advance tax)	11,260	-
Wealth tax	290	212
Gratuity (refer to note 13 of schedule 20)	6,893	1,452
Compensated absences	12,928	9,954
Warranty	4,685	4,672
Proposed final dividend [including tax thereon ₹3,513 (previous year: ₹ 2,759)]	25,172	19,005
	61,228	35,295
	For the year ended 31 March 2011	For the year ended 31 March 2010
15. Other income		
Interest on bank deposits (tax deducted at source ₹222, Previous year: ₹59)	2,733	1,922
Interest on loan to subsidiary (tax deducted at source ₹1,157, Previous year: ₹1,193)	7,712	7,963
Interest Others (tax deducted at source ₹nil, Previous year: ₹nil)	664	1,009
Lease rent	683	683
Sale of scrap (net of excise duty ₹5,008, Previous year: ₹3,117)	48,172	36,637
Miscellaneous income	1,651	1,537
	61,615	49,751
16. Cost of materials consumed		
Raw materials and components consumed	1,941,924	1,644,343
(Increase) in work in progress	(37,950)	(12,551)
Decrease in finished goods	2,103	8,801
(Increase) in excise duty	(959)	(903)
	1,905,118	1,639,690
17. Personnel expenses		
Salaries, wages and bonus	430,301	336,474
Contribution to provident and other funds	40,555	24,055
Staff welfare	48,248	43,505
	519,104	404,034
18. Other operating expenses		
Consumption of stores and spares	147,350	129,624
Power and fuel	52,032	51,022
Carriage outward	42,488	23,559
Packing expenses	10,230	3,251
Rent	19,711	18,829
Rates and taxes	7,620	12,458
Insurance	9,858	6,845
Repairs and maintenance		
- Plant and machinery	18,567	15,824
- Buildings	1,175	1,275
- Others	43,854	35,939
Security charges	6,261	5,791
Advertisement and sales promotion	8,137	3,102
Cash discount	2,946	3,828
Travelling and conveyance	50,056	45,113
Communication	7,882	7,673
Printing and stationery	6,192	4,499
Legal and professional fees	33,995	27,788
Directors sitting fees	1,335	1,230
Exchange loss (net)	1,874	15,913
Donations	110	328
Bad debts/ advances written off	19,379	1,223
Provision for bad and doubtful debts/ advances	7,498	6,506
Loss on sale of fixed assets	525	1,002
Warranty	3,744	8,827
Miscellaneous	15,375	12,459
	518,194	443,908

	For the year ended 31 March 2011	For the year ended 31 March 2010
		(₹ in '000)
19. Interest and finance charges		
On term loans	150,384	138,223
On cash credit	92,646	74,970
Bank charges	20,956	15,659
	<u>263,986</u>	<u>228,852</u>
Less : Interest capitalised as per Accounting Standard 16	23,443	14,587
	<u>240,543</u>	<u>214,265</u>

Schedule 20 - Notes to the accounts

(₹ in '000)

Particulars	As at 31 March 2011	As at 31 March 2010
1. Capital commitment		
Estimated amount of contracts to be executed on capital account (net of advances) and not provided for	144,849	104,627
2. Contingent liabilities		
The details of contingent liabilities are as under:		
Export obligation	-	29,296
Corporate guarantee	757,035	741,946
3. Particulars of managerial remuneration		
	For the year ended 31 March 2011	For the year ended 31 March 2010
Salaries and allowances (including bonus)	11,947	9,040
Contribution to provident fund	792	676
Perquisites	1,223	564
	<u>13,962</u>	<u>10,280</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.		
4. Auditors' remuneration (included in legal and professional charges)		
Statutory audit fees (includes limited review)	5,500	3,700
Other services	700	475
Out-of-pocket expenses	205	169
	<u>6,405</u>	<u>4,344</u>
(The above amount is excluding service tax)		

5. Lease transactions

- a) The Company is obligated under cancellable operating leases for office, residential facilities and vehicles. Lease rental expense under operating leases during the year was ₹19,711 (previous year ₹18,829).
- b) The Company has entered into operating leases for machines. Lease rental income under operating lease during the year was ₹683 (Previous year ₹683). The gross carrying amount, accumulated depreciation and the depreciation charge for the year ended 31st March 2011 and 31st March 2010 for the machinery leased by the Company are as set below:

Particulars	As at 31 March 2011	As at 31 March 2010
Gross block	21,333	21,333
Accumulated depreciation	18,479	18,114
Depreciation for the year	365	567

6. Deferred taxation

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

Deferred tax liability:

Excess of depreciation allowable under Income-tax Act, 1961 over depreciation provided in financial statements	(272,933)	(245,788)
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Deferred tax assets:

Provision for gratuity and compensated absences	6,584	3,877
Provision for doubtful debts and advances	2,643	7,787
Disallowances under section 40(a) / 43B of Income tax Act, 1961	1,729	3,223
Deferred tax liability (net)	(261,977)	(230,901)

7. Capacity and production

Class of Goods	Unit	Installed Capacity*	Actual Production			
			Gear Pumps	Valves	Castings	Components
Hydraulic and precision engineering	Nos.	500,000 (400,000)	473,352 (396,763)	41,461 (32,973)	- (-)	27,538 (24,708)
Aluminium castings (melting capacity)**	MT	4,380 (4,380)	- (-)	- (-)	1,454 (1,625)	- (-)
Automotive components	Nos.	10,852,650 (10,744,650)	- (-)	- (-)	- (-)	9,438,697 (9,259,913)
			473,352 (396,763)	41,461 (32,973)	1,454 (1,625)	9,466,235 (9,284,621)

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

** Production of the Aluminium castings (AC) includes 902,036 Nos (Previous year: 994,986 nos) transferred to Automotive Components (AUC) and Hydraulics and Precision Engineering division (HPE).

Note:

1. Details of electricity generation and utilization at wind farm division is provided below:

Details	KWH Units (nos)	
	For the year ended 31 March 2011	For the year ended 31 March 2010
Opening balance	305,240	-
Production during the year	13,463,285	17,522,480
Captive consumption	11,303,542	11,748,177
Sales	2,253,203	5,469,063
Closing balance	211,780	305,240

2. The Company is exempt from the licencing provisions of the Industries (Development Regulation) Act, 1951.

3. 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
HPE:						
Hydraulic Gear Pump	13,727	31,335	476,945	1,038,271	10,134	27,129
	(17,753)	(38,010)	(400,789)	(809,969)	(13,727)	(31,335)
Valves	147	380	41,568	195,848	40	39
	(-)	(-)	(32,826)	(128,353)	(147)	(380)
Components	6,188	13,314	29,319	135,031	4,407	8,820
	(5,621)	(13,307)	(24,141)	(117,130)	(6,188)	(13,314)
AC:						
Castings	626	142	3,000	2,021	-	-
	(-)	(-)	(2,430)	(1,742)	(626)	(142)
AUC:						
Case Front	24,812	7,532	702,881	218,413	18,471	6,583
	(14,958)	(8,430)	(444,870)	(174,199)	(24,812)	(7,532)
Water pump	6,985	2,461	448,995	239,035	7,831	2,754
	(6,045)	(3,577)	(388,512)	(176,627)	(6,985)	(2,461)
Intake manifold	2,641	3,038	157,278	190,977	4,101	2,655
	(3,435)	(4,558)	(231,798)	(321,524)	(2,641)	(3,038)
Rocker cover	2,097	871	125,543	62,724	3,079	1,468
	(3,314)	(1,507)	(254,354)	(115,570)	(2,097)	(871)
Exhaust-manifold	5,764	4,563	531,807	531,570	9,422	7,986
	(8,677)	(5,351)	(505,236)	(461,050)	(5,764)	(4,563)
Rocker arm - A&B	23,870	1,700	1,891,188	177,362	17,169	3,570
	(22,917)	(1,722)	(2,142,926)	(194,352)	(23,870)	(1,700)
Others		11,774		609,380		14,962
[Note (ii) below]		(9,449)		(549,778)		(11,774)
		77,110		3,400,632		75,966
		(85,911)		(3,050,294)		(77,110)

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 ₹9,618 (previous year – ₹10,263) during the year.

9. Raw materials and components consumed:

Particulars	Unit	31 March 2011		31 March 2010	
		Quantity	Value	Quantity	Value
Aluminum extrusions	MT	524	91,567	414	65,201
Castings	Nos	15,102,808	793,049	13,718,701	716,222
Steel for forgings	MT	910	70,346	643	48,142
Components	Nos	20,256,588	395,241	16,237,800	294,577
Aluminum alloy	MT	1,454	346,656	1,625	314,585
Others*		-	245,065	-	205,616
			1,941,924		1,644,343

*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 2011		31 March 2010	
	Value	%	Value	%
Imported	530,352	27%	486,221	30%
Indigenous	1,411,572	73%	1,158,122	70%
	1,941,924	100%	1,644,343	100%

11. Details of imported and indigenous stores and spares consumed

Particulars	For the year ended 31 March 2011		For the year ended 31 March 2010	
	Value	% of total consumption	Value	% of total consumption
Imported	1,648	1%	1,965	1%
Indigenous	145,702	99%	127,659	99%
	147,350	100%	129,624	100%

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

	For the year ended 31 March 2011	For the year ended 31 March 2010
Raw materials and components	542,920	472,257
Stores and spares	13,352	1,749
Capital goods	158,573	18,090
	714,845	492,096

13. Gratuity plan *

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

Change in defined benefit obligation

	As at 31 March 2011	As at 31 March 2010
Opening defined benefit obligation	50,810	45,609
Current service cost	15,644	5,836
Interest cost	3,916	3,446
Benefits settled	(3,740)	(3,866)
Actuarial (losses)/Gain	(556)	(215)
Closing defined benefit obligation	66,074	50,810

Change in plan assets

Plan assets at the beginning of the year, at fair value	49,358	41,300
Expected return on plan assets (estimated)	4,597	3,446
Contributions	8,755	8,005
Benefits settled	(3,740)	(3,866)
Actuarial Gain/(losses)	211	473
Plan assets at the end of the year, at fair value	59,181	49,358

Reconciliation of present value of the obligation and the fair value of the plan assets

Fair value of plan assets at the end of the year	59,181	49,358
Present value of the defined benefit obligations at the end of the year	66,074	50,810
Liability recognised in the balance sheet	(6,893)	(1,452)

Gratuity cost for the period

Current service cost	15,644	5,836
Interest on defined benefit obligation	3,916	3,446
Net actuarial (losses)/Gain recognised in year	(345)	(688)
Return on plan assets	(4,597)	(3,446)
Total, included in "Employee benefit expense"	14,618	5,148

Assumptions at the valuation date

Discount factor	8%	8%
Expected rate of return on plan assets	8%	8%
Expected rate of salary increase	6%	5%
Attrition rate	5%	5%
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 ₹1,000,000.

Particulars	For the year ended 31 March 2011	For the year ended 31 March 2010
14. Earnings per share		
Calculation of basic and diluted shares used in computing earnings per share:		
Profit after tax (₹ in 000')	148,421	108,174
Number of weighted average shares considered for calculation of basic earning per share	5,414,703	5,414,703
Basic earnings per share of face value of ₹10 each	27.41	19.98
The Company has no potential dilutive equity shares.		
15. Set out below is the movement in provision balances in accordance with AS 29, 'Provisions, Contingent liabilities and Contingent Assets':		
Provision for warranty:		
Opening balance	4,672	2,373
Provision	3,744	8,827
Utilized during the year	(3,731)	(6,528)
Closing balance	4,685	4,672
16. Expenditure and earnings in foreign currency		
Expenditure in foreign currency		
Travelling	7,675	8,127
Legal and professional charges	2,825	1,722
Interest	69,582	57,614
Others	1,056	263
	81,138	67,726
Earnings in foreign currency		
Exports of goods on F.O.B. basis	672,818	360,412
Interest	7,712	7,963
	680,530	368,375

17. Related party transactions:

Description of relationship	Name of related Party	
Parties where control exists	Udayant Malhoutra (UM)	% of voting power - 54.80
Subsidiaries	<ul style="list-style-type: none"> i) Dynamatic Ltd, UK (DLUK) ii) JKM Global Pte Limited, Singapore (JGPL) iii) JKM Research Farm Limited (JRFL) iv) JKM Erla Automotive Limited (JEAL) 	
Companies over which key management personnel or relatives of such personnel are able to exercise significant influence (other related entities)	<ul style="list-style-type: none"> i) Christine Hoden (India) Private Limited (CHIPL) ii) Greenerth 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	<ul style="list-style-type: none"> 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) 	
Relatives of KMP	<ul style="list-style-type: none"> a) Pramilla Malhoutra (PM) b) Udit Malhoutra (UDM) c) Barota Malhoutra (BM) 	

The following is the summary of transactions for the year ended 31st March 2011 and balance outstanding as at 31st March 2011 with related parties:

Related party	2011				2010			
	Subsidiaries	Other related entities	Key management personnel	Relatives	Subsidiaries	Other related entities	Key management personnel	Relatives
Sales*								
- DLUK	36,506	-	-	-	13,930	-	-	-
Purchases*								
- DLUK	2,907	-	-	-	555	-	-	-
Other income								
<i>Interest</i>								
- JGPL	7,712	-	-	-	7,963	-	-	-
Expenses								
<i>Rent</i>								
- JRFL	10,800	-	-	-	9,150	-	-	-
- VPL	-	-	-	-	-	175	-	-
- JHPL	-	420	-	-	-	224	-	-
- PM	-	-	-	1,860	-	-	-	1,600
- UDM	-	-	-	310	-	-	-	300
<i>Salaries and wages</i>								
- JHRPL	-	60,651	-	-	-	39,921	-	-
<i>Recharges received</i>								
- JGPL	-	-	-	-	2	-	-	-
- DLUK	568	-	-	-	118	-	-	-
<i>Managerial remuneration</i>								
- UM	-	-	2,766	-	-	-	2,072	-
- NR	-	-	3,407	-	-	-	2,594	-
- VS	-	-	4,486	-	-	-	3,099	-
- BS	-	-	3,303	-	-	-	2,515	-
Recharges made								
- DLUK	4,855	-	-	-	482	-	-	-
- JGPL	-	-	-	-	-	-	-	-
- JEAL	15,887	-	-	-	-	-	-	-
Dividend paid								
<i>Interim dividend</i>								
- JHPL	-	4,819	-	-	-	4,417	-	-
- JOIPL	-	2,609	-	-	-	2,341	-	-
- UMCPL	-	4,131	-	-	-	3,636	-	-
- UM	-	-	5,809	-	-	-	5,176	-
- BM	-	-	-	30	-	-	-	27
- Others	-	533	-	0.60	-	540	-	1
<i>Final dividend</i>								
- JHPL	-	2,409	-	-	-	1,205	-	-
- JOIPL	-	1,304	-	-	-	652	-	-
- UMCPL	-	2,066	-	-	-	986	-	-
- UM	-	-	2,905	-	-	-	1,403	-
- BM	-	-	-	15	-	-	-	7
- Others	-	267	-	0.30	-	180	-	0.15

Related party	2011				2010			
	Subsidiaries	Other related entities	Key management personnel	Relatives	Subsidiaries	Other related entities	Key management personnel	Relatives
Advances recovered during the year								
- JGPL	-	-	-	-	17,088	-	-	-
- DM 38	-	-	-	-	2,910	-	-	-
Investments made during the year								
- JRFL	14,000	-	-	-	-	-	-	-
- JEAL	500	-	-	-	-	-	-	-
Balances outstanding								
<i>Payables</i>								
- DLUK	1,575	-	-	-	346	-	-	-
- JHRPL	-	956	-	-	-	423	-	-
<i>Receivables</i>								
- JGPL	10,293	-	-	-	3,576	-	-	-
- DLUK	6,520	-	-	-	5,113	-	-	-
- JRFL	12,414	-	-	-	9,247	-	-	-
- JEAL	15,887	-	-	-	-	-	-	-
<i>Loans receivables</i>								
- JGPL	107,845	-	-	-	109,028	-	-	-
Contingent liability								
<i>Corporate guarantee outstanding</i>								
- JGPL	147,345	-	-	-	148,962	-	-	-
- DLUK	609,690	-	-	-	252,784	-	-	-
- DM38	-	-	-	-	340,200	-	-	-

*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 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 31st March 2011

Particulars	HPE	AC	AUC	ASP	WF	Unallocated	Total
A. Primary segment reporting							
(i) Revenue							
External - sales and services	1,450,322	337,104	1,924,928	436,558	54,627	-	4,203,539
Less: excise duty	(108,350)	(673)	(194,391)	(1,429)	-	-	(304,843)
Inter-segment sales and services	(97)	(310,602)	-	-	(45,010)	-	(355,709)
Other income	21,772	9,947	18,147	640	-	11,109	61,615
Total revenue	1,363,647	35,776	1,748,684	435,769	9,617	11,109	3,604,602
(ii) Results							
Segment result - EBIDA-profit/(loss)	235,573	16,376	102,751	254,253	42,124	11,109	662,186
(Less): depreciation	(41,672)	(23,549)	(82,127)	(41,809)	(14,908)	-	(204,065)
Segment result - profit/(loss)	193,901	(7,173)	20,624	212,444	27,216	11,109	458,121
(Less): interest expense	-	-	-	-	-	(240,543)	(240,543)
Profit/(loss) before taxation	193,901	(7,173)	20,624	212,444	27,216	(229,434)	217,578
(Less): provision for taxation	-	-	-	-	-	(69,157)	(69,157)
Net profit after tax	193,901	(7,173)	20,624	212,444	27,216	(298,591)	148,421
(iii) Other information							
Segment assets	1,337,226	319,028	2,010,694	968,854	294,675	751,133	5,681,610
Segment liabilities	238,812	133,532	544,852	205,479	1,572	2,841,468	3,965,715
Capital expenditure	262,941	298,695	6,448	496,765	-	-	1,064,849
Depreciation	41,672	23,549	82,127	41,809	14,908	-	204,065
Other non-cash expenses	4,449	1,015	7,412	502	-	-	13,378

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

Particulars	HPE	AC	AUC	ASP	WF	Unallocated	Total
A. Primary segment reporting							
(i) Revenue							
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
Total revenue	1,062,232	23,818	1,761,840	157,931	10,263	10,894	3,026,978
(ii) Results							
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)
Profit/(loss) before taxation	148,804	20,147	105,100	42,494	26,243	(203,371)	139,418
(Less): provision for taxation	-	-	-	-	-	-	(31,244)
Net profit after tax	-	-	-	-	-	-	108,174
(iii) Other information							
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

B. Secondary segment reporting

Information relating to geographical segment for the year ended 31st March 2011

Particulars	31 March 2011			31 March 2010		
	In India	Outside India	Total	In India	Outside India	Total
Revenue	2,931,784	672,818	3,604,602	2,666,566	360,412	3,026,978
Carrying amount of segment assets	5,681,610	-	5,681,610	4,282,770	-	4,282,770
Capital expenditure	1,064,849	-	1,064,849	157,381	-	157,381

Particulars	As at 31 March 2011	As at 31 March 2010
19. Foreign currency exposures as at 31st March 2011 that have not been hedged by a derivative instrument or otherwise:		
Receivables	326,915	250,344
Payables	574,024	315,587
20. Disclosure pursuant to Accounting Standard 7 (revised), Construction contracts		
	For the year ended 31 March 2011	For the year ended 31 March 2010
Construction work in progress	71,601	37,857
Unbilled revenue	71,601	37,857
Customer advances	30,639	2,623
Retention amount due from customers	-	-
21. Transfer Pricing		
<p>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.</p>		
22. Dues to Micro, Small and Medium Enterprises		
<p>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 26th 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.</p>		
23. Forward contracts		
<p>The Company has outstanding forward contracts aggregating to USD 2.06 million (previous year USD 3.81 million) as of 31st March 2011.</p>		
24. Cash flow hedge		
<p>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 1st April 2008 applying the hedging criteria. The mark to market gain on this contract at the date of designation of the hedge aggregating ₹11,353 (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 ₹16,140. The cash flow hedge is expected to occur in the next four years, when the effect in the Profit and Loss Account would be accounted for.</p> <p>The details as at balance sheet date are as follows:</p>		
	As at 31 March 2011	As at 31 March 2010
Outstanding contract value in foreign currency (GBP) (Previous year - USD)	19,050	3,000
Equivalent Indian Rupees (INR)	1,469,460	135,420
Mark to market value	27,493	12,064
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 banks 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	
	2011	2010	2011	2010
DM 38 Limited, UK	-	-	-	2,910
JKM Global Pte Limited, Singapore	10,293	3,576	10,293	19,863
JKM Global Pte Limited, Singapore (Loan account)	107,845	109,028	109,028	122,533
JKM Research Farm Limited	12,414	9,247	27,663	11,627
JKM Erla Automotive Limited	15,887	-	15,887	-

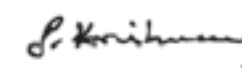
27. The Board of Directors vide their meeting dated 7th May 2011 have decided to demerge the "Automotive Division" of the Company into JKM Erla Automotive Limited (JEAL) (wholly owned subsidiary of the Company) w.e.f. 1st April 2011. As per the proposed scheme of demerger, all the assets and liabilities of the Automotive Division would be transferred to JEAL. Accordingly, the Company has submitted the demerger scheme for the approval of Bombay Stock Exchange and National Stock Exchange Limited on 12th May 2011. The Company will proceed to file the application to the High Court once the approval has been received.
28. The Company has revalued the assets of "Automotive Component" division as at 31st March 2011 based on the valuation report provided by an independent valuer. As per the valuation report, the value of land and development has gone up by ₹185,616 as compared to the carrying value in the books. The Company has increased the value of land and development ₹Rs.185,616 and credited the amount to revaluation reserve.
29. Previous year's figures have been re-grouped/ re-classified, wherever necessary, to conform to the current year presentation.

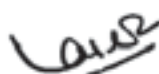
As per our report attached
for **B S R & Associates**
Chartered Accountants
Firm Registration
Number: 116231W

for **Dynamatic Technologies Limited**


VIJAI KAPUR
Chairman

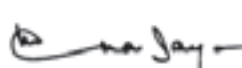

Dr. K APRAMEYAN
Director


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


Rajesh Arora
Partner
Membership No.: 076124


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

Place : Bangalore
Date : 28th May 2011


UDAYANT MALHOUTRA
CEO and Managing Director


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 : L72200KA1973PLC002308 State Code : 08
 Balance Sheet Date : March 31, 2011

2. Capital raised during the period :

(Amount in ₹ 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 ₹ Thousands)

Total Liabilities	4,661,156	Total assets	4,661,156
	(Including net deferred tax liability ₹261,977)		

Source of funds

Paid up Capital	54,147	Secured Loans	2,452,440
Reserves and Surplus	1,661,748	Unsecured Loans	230,844

Deferred tax liabilities 261,977

Application of Funds

Net Fixed Assets	3,120,984	Investments	524,357
Net Current Assets	1,015,815	Miscellaneous Expenditure	Nil
Accumulated Losses	Nil		

4. Performance of Company :

(Amount in ₹ Thousands)

Turnover	3,604,602	Total Expenditure	3,387,024
(including Other Income ₹61,615)			
Profit/(Loss) Before Tax	217,578	Profit/Loss After Tax	148,421
		(after deferred tax charge of ₹31,076)	
Earning Per Share ₹	27.41	Dividend Rate %	100%

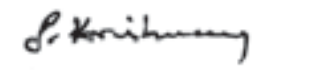
25. Generic Names of Three Principal Products/Services of Company (as per monetary terms)

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

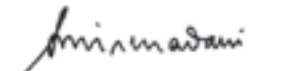
for and on behalf of the Board of Directors


VIJAI KAPUR
 Chairman


Dr. K APRAMEYAN
 Director

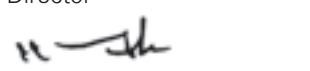

Air Chief Marshal S. KRISHNASWAMY (Retd.)
 Director


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

Place : Bangalore
 Date : 28th May 2011


UDAYANT MALHOUTRA
 CEO and Managing Director

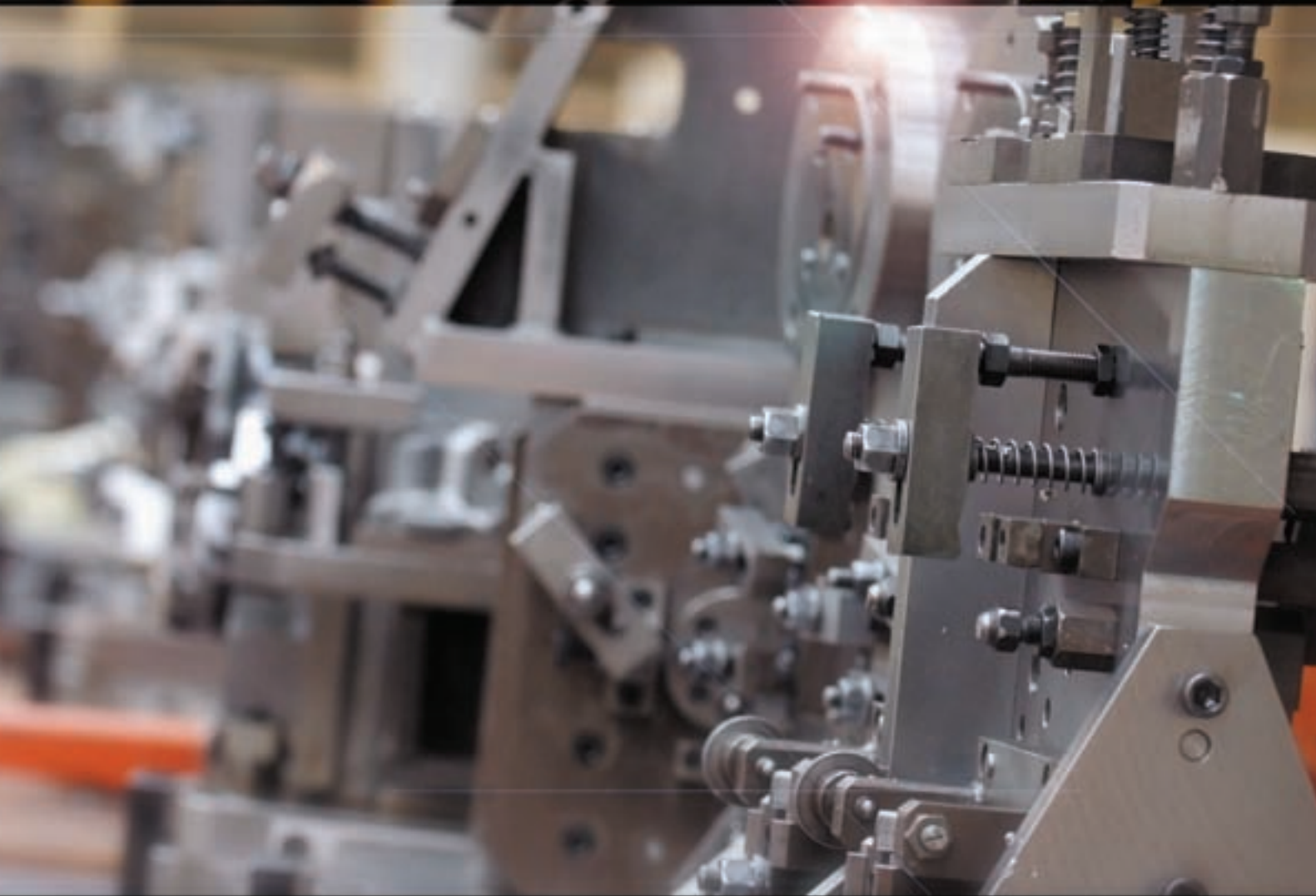

N RAM MOHAN
 Financial Controller


G HARITHA
 GM-Compliance & Company Secretary

DYNAMATIC LIMITED, UK

BUSINESS REVIEW REPORT

2010-11



DYNAMATIC LIMITED, UK

CHAIRMAN

Mr. Udayant Malhoutra - Chairman

DIRECTORS

Mr. Michael John Handley - Director
Mr. V Sunder - Director
Mr. Raymond Keith Lawton - Director & Chief Operating Officer, Hydraulics Division
Mr. Ian Patterson - Director & Chief Technology Officer, Hydraulics Division
Mr. James Tucker - Director & Chief Operating Officer, Aerospace Division
Ms. Claire Tucker - Director & Chief Operating Officer, Aerospace Division

FINANCE HEAD AND COMPANY SECRETARY

Mr. Tony Atkins FCCA

AUDITORS

KPMG LLP, UK
Chartered Accountants & Statutory Auditors

BANKERS

State Bank of India, UK
Punjab National Bank, UK
Royal Bank of Scotland, UK

REGISTERED OFFICE

Cheney Manor, Swindon, Wiltshire SN2 2PZ, England

OPERATING PLANTS

Hydraulics Division - Cheney Manor, Swindon, Wiltshire SN2 2PZ, England
Aerospace Division - Jarvis Street, Barton Hill, Bristol BS5 9TR, England



SWINDON

DYNAMATIC® HYDRAULICS, DYNAMATIC LIMITED, UK

Review of Business *2010-11*

The Financial Results of Dynamatic® Hydraulics, UK, a division of Dynamatic Limited, UK, for the year ended 31st March, 2011 were as follows:

Dynamatic Limited, UK-Hydraulics Unit

Particulars	Year ended 31.03.2011 ₹ in Lacs	Year ended 31.03.2010 ₹ in Lacs
Sales	8,534.08	8,114.26
EBITDA	282.83	328.90
Interest	100.53	146.94
Depreciation	291.50	320.84
PBT [Before Unrealised Forex Gain / (Loss) & Extraordinary item]	(109.21)	(138.88)
Unrealised Forex Gain/(Loss) & Extraordinary Item	(101.39)	(312.60)
PBT [After Unrealised Forex Gain / (Loss) & Extraordinary item]	(210.60)	(451.48)
Tax Charge / (credit)	(24.70)	(115.85)
Profit After Tax	(185.90)	(335.63)

Dynamatic Limited, UK, in Swindon saw the improved business levels that showed the first signs of recovery at the end of 2009, after the severe downturn experienced in 2009, stabilise and remain fairly static throughout the remainder of this financial year. This has helped the plant maintain continuous production activity throughout the year but with sales still however best described as fragile. Although the sales levels have not returned to those experienced prior to the global downturn, the various cost reduction initiatives and the reduction of all our fixed costs have resulted in improved financial results over the previous two years which is very encouraging.

The many cost reduction initiatives that were undertaken last year have now been firmly embedded into the Company's DNA. We are constantly looking at ways of further reducing costs in the light of sales that are not



Review of Business 2010-11

showing signs of any immediate growth and there have been a number of successes in this past financial year. The biggest of the savings is that we have now just signed a new 5 year lease with the local council which gives us approximately 25% reduction over the previous lease and is fixed for the full 5 year term. There are various other reductions we have made in terms of empty space rate relief, change of a number of our suppliers or suppliers' terms, all aimed at either holding or further reducing our costs.

As we moved towards the end of the financial year, we saw a slightly improved order intake and hence the order book, although not back to the levels prior to 2008 as stated previously, is encouraging as we move into and look forward to the next year. The final quarter saw sales of just over £3.1million which is the highest quarterly sales figure for over 3 years.

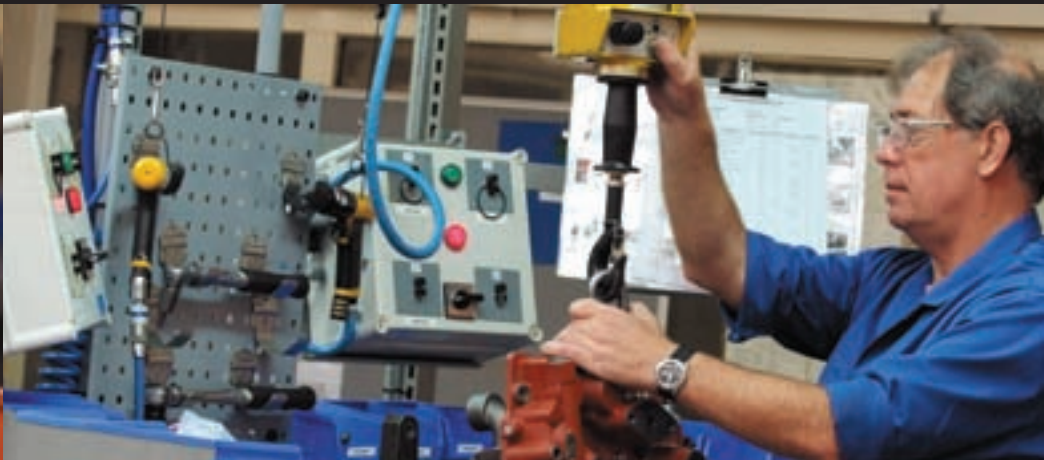
Future Outlook

As we progress through the year ahead and look at the product development and sales opportunities, there seems to be a good opportunity for the Hydraulic facility in Swindon to grow and develop a cast iron pump range to service both OEMs and Aftermarket customers. This product enables us to utilise the synergies between the facilities in UK and India, as we are producing fully cast and machined components in India which are shipped to the UK for final assembly utilising gears and plates made in Swindon and Hydraulic testing. This gives us a very competitive product, and, therefore, an ideal opportunity to penetrate into new markets and customers, thereby increasing Swindon sales. The best example of this is that we have, during the past year, developed and supplied prototypes of a new cast iron range of solo, tandem and triple pumps for Terex in Northern Ireland and this

range will continue to grow with production volumes expected to commence during 2011. In terms of aftermarket development, we are, through Dynamic® Hydraulics, India, also supplying a cast iron tandem pump for the JCB market in India. The first production deliveries commenced during the year and we have now received the first scheduled orders covering the initial volumes which will take us through to the end of 2011.

In terms of the targets, we have set as we move forward, one of the key drivers would be to increase our sales to the OEMs and reduce reliance on aftermarket sales, which can be both volatile and very difficult to predict. In order to do this, we have taken a big step forward this year by obtaining quality accreditations from John Deere which was a tremendous achievement by the plant as a whole and has really helped to push our continuous improvement





HYDRAULICS

programs. We have also maintained our ISO 9001 accreditation during the year and this was achieved with no major non-conformances. The focus on tight cost control actions, coupled with a plant-wide effort to improve quality and drive lean initiatives has the plant well positioned now to cope with and handle new business opportunities.

To support these initiatives the business has also focused on individual training, and, during the year we had 35 employees complete their training and obtain National Vocational Qualifications in Levels 2 and 3. To build on this training, which was all undertaken using government funding, the business has identified a number of projects all aimed at reducing costs and improving efficiency. Teams have now been put together, and, using the skills obtained during the training period, employees are now embarking on those projects and we will start to see benefits

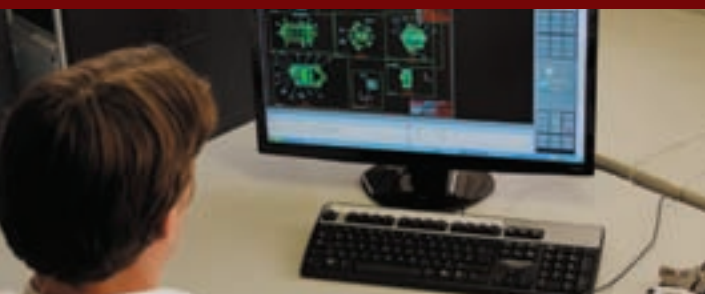
in, hopefully, both efficiency and cost reduction savings as the year progresses.

In terms of summing up and looking forward, the Directors and the entire Swindon Business Team remain cautiously optimistic as we see some of our major customer confidence begin to return and a resumption of new vehicle and project launches.

We are ideally positioned with customers such as **John Deere Waterloo, ZF Passau, GIMA and Terex** to take advantage of new model launches and to ramp up production volumes. All of the initiatives put in place through the previous 2 years also position us very well to take advantage of any new business opportunities in other market sectors. We are, therefore, actively exploring all of these avenues with the aim of adding to the current Swindon sales and growing the current business levels

into a profitable business with the potential to grow even further over the coming years.

Raymond Keith Lawton
Director & Chief Operating Officer
Hydraulics Division





DYNAMATIC-OLDLAND AEROSPACE™, DYNAMATIC LIMITED, UK Review of Business 2010-11

The Financial Results of Dynamatic Oldland Aerospace™, UK, a division of Dynamatic Limited, UK, for the year ended 31st March, 2011, were as follows:

Dynamatic Limited, UK–Aerospace Unit		
Particulars	Year ended 31.03.2011 ₹ in Lacs	Year ended 31.03.2010 ₹ in Lacs
Sales	5,875.99	6,236.19
EBITDA	1361.60	1,257.27
Interest	206.71	218.92
Depreciation	370.40	319.25
PBT (Before Forex impact)	784.49	719.10
Unrealised Forex Gain / (Loss)	–	11.47
PBT (After Forex impact)	784.49	730.57
Tax charge / (credit)	171.84	307.67
Profit After Tax	612.65	422.90

This year has been demanding but rewarding for Dynamatic Oldland Aerospace™ Division, mainly due to full rate commencing on the Spirit A320/321 project and the movement of some GKN packages of work. It has also provided some of the highest ever recorded sales for the Bristol site. The Financial results over the period have been largely on budget, being the strongest and most profitable from September onwards, with annual sales totaling budget levels of £8.4m. There has been a general improvement in volumes, and retention of work that a customer had planned to take in-house during the period. Overall Profit Before Tax of £1.16m was on budget. Our largest account this year has been the C130J project, followed closely by the A320/321.

We continue to have a good spread of orders for aircraft types such as A330/340, A400M, A380, C130J, A320/321 and the Future Lynx (wildcat) helicopter. The overall spares business remains sporadic.



AEROSPACE

A range of performance measures required have been identified in the year that are appropriate to the Company's strategic intentions and help maintain our competitive edge within the Aerospace industry. We are currently focusing our attentions on the following:

1. Operations through-put / Cycle time flow
2. Capacity planning and OEE measurement
3. Adherence to due dates (Schedule Adherence)
4. Work in process value
5. Raw material value

These measures, which are directly related to our Company's manufacturing objectives, will be simple and easy to use for the entire production team and in turn stimulate with continuous improvement.

Our right first time delivery performance across all customers has been 99.20%. During the year we have manufactured a total of 108,362 parts with a scrap rate of 0.65% compared to last year's results of 79,610 parts with a scrap rate of 1.08%.

We have been pro-actively tendering on some very exciting new projects throughout the year such as the A320/A321, A400M, and A350 programs and feel it is only a matter of time before we are successful with a sizeable order. Our unique niche in the aviation industry is starting to be realized with the prime suppliers such as Airbus Toulouse, Bremen and Broughton sites and we have been added to their top 20 suppliers list.

With the increase in aircraft rates predicted for the coming year on our existing business, we will be pro-actively looking to expand the aviation business into the Swindon facility of Dynamatic Limited, UK.

Future Outlook

The 'Yellow Brick Road' strategy is now modeled against the live A320/321 project which provides the customer with factual comparisons in practice.

It is considered that even though business has been tough to win and maintain in the current climate, the Aerospace team from both Bristol

and Bangalore have been innovative in their engineering concepts to give us the competitive edge, and should be very proud of their efforts, there are further improvements to be made in the coming year but the future is bright.

James Tucker

Director & Chief Operating Officer,
Aerospace Division

Claire Tucker

Director & Chief Operating Officer,
Aerospace Division

JKM RESEARCH FARM LIMITED

BUSINESS REVIEW REPORT

2010-11



JKM RESEARCH FARM LIMITED**Review of Business** *2010-11*

Your Company has established an agricultural farm admeasuring approximately 65 acres in the vicinity of Bangalore.

As you are aware, the Hydraulic division of your parent company, Dynamatic Technologies Limited is engaged in the design and manufacture of products which find extensive application in mechanized farming and earth moving sectors. Being a global major in Design and

Development and manufacture of such products Dynamatic® is continuously engaged in finding innovative solutions to upgrade the products of its customers. In this regard, Your Company provides an unique opportunity to Dynamatic® to test and validate its products in real time field conditions.

During the year under report, your Company has made an operational income of ₹108.00 lacs as against

an operational income of ₹91.50 lacs for the previous year. The Profit Before Tax for the year amounted to ₹90.13 lacs as against previous year profit of ₹49.53 lacs.



Udayant Malhoutra
Chairman

DIRECTORS

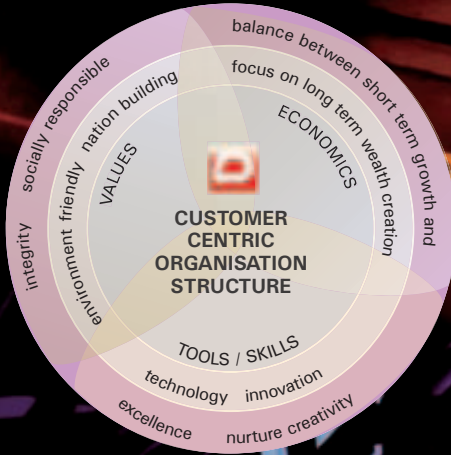
Mr. Udayant Malhoutra	...	Chairman
Ms. Pramilla Malhoutra	...	Director
Mr. V Sunder	...	Director

AUDITORS

M/s. Prasad and Kumar,
Chartered Accountants, Bangalore

REGISTERED OFFICE

Dynamatic Park Peenya Bangalore 560 058 India





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Eisenwerk Erla GmbH, Germany



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DYNAMATIC TECHNOLOGIES LIMITED

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