Preliminary Placement Document
Subject to Completion
Not for circulation
Private and confidential
Serial No. ___

DYNAMATIC TECHNOLOGIES LIMITED

Our Company was incorporated in the Republic of India as a public limited company under the provisions of Companies Act, 1956 as "Dynamatic Hydraulics Limited" on March 7, 1973. With effect from December 14, 1992 the name of our Company was changed to its current name "Dynamatic Technologies Limited". Our Company's corporate identification number is L72200KA1973PLC002308.

Dynamatic Technologies Limited (the **"Issuer"** or "**Company**") is issuing up to [●] equity shares of face value Rs.10 each (the "**Equity Shares**") at a price of Rs.[●] per Equity Share, including a premium of Rs. [●] per Equity Share, aggregating up to Rs.[●] Lacs (the "**Issue**").

ISSUE IN RELIANCE UPON CHAPTER VIII OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, AS AMENDED (THE "SEBI ICDR REGULATIONS") AND SECTION 42 OF THE COMPANIES ACT, 2013 AND THE RULES MADE THEREUNDER

THE ISSUE AND THE DISTRIBUTION OF THIS PLACEMENT DOCUMENT IS BEING DONE IN RELIANCE UPON SECTION 42 OF THE COMPANIES ACT 2013 AND THE RULES MADE THEREUNDER AND CHAPTER VIII OF THE SEBI ICDR REGULATIONS. THIS PLACEMENT DOCUMENT IS PERSONAL TO EACH PROSPECTIVE INVESTOR AND ONLY QUALIFIED INSTITUTIONAL BUYERS, AS DEFINED IN REGULATION 2(1)(zd) OF THE SEBI ICDR REGULATIONS ("QIBs") WHICH ARE NOT (A) EXCLUDED PURSUANT TO REGULATION 86 OF THE SEBI ICDR REGULATIONS, (B) REGISTERED FPIs, FVCIs, BILATERAL AND MULTILATERAL INSTITUTIONS OR ANY OTHER QIB THAT IS NOT AN ENTITY DEEMED TO BE A PERSON RESIDENT IN INDIA UNDER THE FOREIGN EXCHANGE MANAGEMENT ACT, 1999 ("NON-RESIDENT"), OR (C) 'OWNED' OR 'CONTROLLED' BY NON-RESIDENTS/ PERSONS RESIDENT OUTSIDE INDIA, AS DEFINED UNDER FEMA, EXCEPT AS SPECIFICALLY SET FORTH IN THIS PLACEMENT DOCUMENT, ARE ELIGIBLE TO INVEST IN THIS ISSUE ("ELIGIBLE QIBs").

YOU MAY NOT AND ARE NOT AUTHORIZED TO (1) DELIVER THIS PRELIMINARY PLACEMENT DOCUMENT TO ANY OTHER PERSON; OR (2) REPRODUCE THIS PRELIMINARY PLACEMENT DOCUMENT IN ANY MANNER WHATSOEVER. ANY DISTRIBUTION OR REPRODUCTION OF THIS PRELIMINARY PLACEMENT DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS INSTRUCTION MAY RESULT IN A VIOLATION OF THE SEBI ICDR REGULATIONS OR OTHER APPLICABLE LAWS OF INDIA AND OTHER JURISDICTIONS.

Invitations, offers and sale of the Equity Shares shall only be made pursuant to this Preliminary Placement Document, the Application Form, the Placement Document and the Confirmation of Allocation Note. See the section "*Issue Procedure*" beginning on page 111. The distribution of this Preliminary Placement Document or the disclosure of its contents without our Company's prior consent to any person other than Qualified Institutional Buyers (as defined in the SEBI ICDR Regulations) and persons retained by Qualified Institutional Buyers to advise them with respect to their purchase of the Equity Shares is unauthorized and prohibited. Each prospective investor, by accepting delivery of this Preliminary Placement Document, agrees to observe the foregoing restrictions and to make no copies of this Preliminary Placement Document or any documents referred to in this Preliminary Placement Document.

INVESTMENTS IN EQUITY SHARES INVOLVE A DEGREE OF RISK AND PROSPECTIVE INVESTORS SHOULD NOT INVEST IN THIS ISSUE UNLESS THEY ARE PREPARED TO RISK LOSING ALL OR PART OF THEIR INVESTMENT. PROSPECTIVE INVESTORS ARE ADVISED TO CAREFULLY READ THE SECTION "*RISK FACTORS*" BEGINNING ON PAGE 30 BEFORE MAKING AN INVESTMENT DECISION IN THIS ISSUE. EACH PROSPECTIVE INVESTOR IS ADVISED TO CONSULT ITS OWN ADVISORS ABOUT THE PARTICULAR CONSEQUENCES TO IT OF AN INVESTMENT IN THE EQUITY SHARES PROPOSED TO BE ISSUED PURSUANT TO THIS PRELIMINARY PLACEMENT DOCUMENT.

Our Company's outstanding Equity Shares are listed on the BSE Limited (the "**BSE**") and the National Stock Exchange of India Limited (the "**NSE**") (the BSE and the NSE collectively the "**Stock Exchanges**"). We have received in-principle approval under clause 24(a) of the Listing Agreement to list our Equity Shares from each the BSE and the NSE on October 13, 2014. Applications will be made for the listing of the Equity Shares offered through this Preliminary Placement Document on the Stock Exchanges. The Stock Exchanges assume no responsibility for the correctness of any statements made, opinions expressed or reports contained herein. Admission of the Equity Shares to trading on the Stock Exchanges should not be taken as an indication of the merits of the business of our Company or the Equity Shares. The closing price of the outstanding Equity Shares on the BSE and the NSE on October 10, 2014 was Rs. 2,416.15 and Rs. 2,411.25 per Equity Share, respectively.

OUR COMPANY HAS PREPARED THIS PRELIMINARY PLACEMENT DOCUMENT SOLELY FOR PROVIDING INFORMATION IN CONNECTION WITH THE PROPOSED ISSUE.

A copy of this Preliminary Placement Document (which includes disclosures prescribed under Form PAS-4 (as defined hereinafter)) has been delivered to the Stock Exchanges. A copy of the Placement Document (which will include disclosures prescribed under Form PAS-4 (as defined hereinafter)) will be filed with the Stock Exchanges. Our Company shall also make the requisite filings with the Registrar of Companies, Karnataka, Bangalore (the "**RoC**") and the Securities and Exchange Board of India ("**SEBI**") within the stipulated period as required under the Companies Act, 2013 and the Companies (Prospectus and Allotment of Securities) Rules, 2014.

This Preliminary Placement Document has not been reviewed by SEBI, the Reserve Bank of India (the "RBI"), the Stock Exchanges, the RoC or any other regulatory or listing authority. The Equity Shares offered in the Issue have not been recommended or approved by SEBI, nor does SEBI guarantee the accuracy or adequacy of this Preliminary Placement Document. This Preliminary Placement Document has not been and will not be registered as a prospectus with any Registrar of Companies in India, will not be circulated or distributed to the public in India or any other jurisdiction and will not constitute a public offer in India or any other jurisdiction. This Preliminary Placement Document will be circulated or distributed to Qualified Institutional Buyers (as defined in the SEBI ICDR Regulations), only and will not constitute an offer to any other class of investors in India or any other jurisdiction.

Information on our Company's website or any website directly or indirectly linked to our Company's website or the websites of the Book Running Lead Managers or its affiliates does not form part of this Preliminary Placement Document and prospective investors should not rely on such information contained in, or available through, such websites.

The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**") and will not be offered or sold within the United States (as defined in Regulation S under the U.S. Securities Act ("**Regulation S**") or any other jurisdictions, other than India. **THIS ISSUE IS BEING MADE ONLY TO ELIGIBLE QIBs AND THE EQUITY SHARES IN THIS ISSUE WILL NOT IN ANY CIRCUMSTANCE BE OFFERED TO PERSONS IN ANY JURISDICTION OUTSIDE INDIA.**

This Preliminary Placement Document is dated October 13, 2014.

BOOK RUNNING LEAD MANAGERS

Emkay
Your success is our success

EMKAY GLOBAL FINANCIAL SERVICES LIMITED
7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West,
Mumbai – 400028, Maharashtra, India

IL&FS | Capital Advisors

IL&FS CAPITAL ADVISORS LIMITED
The IL&FS Financial Center, 3rd Floor, Plot C-22, G-Block
Bandra Kurla Complex, Bandra East,
Mumbai – 400 051, Maharashtra, India

TABLE OF CONTENTS

Page

NOTICE TO INVESTORS ... 2
DISCLAIMER CLAUSE OF THE STOCK EXCHANGES ... 8
CERTAIN CONVENTIONS, CURRENCY OF PRESENTATION AND FINANCIAL DATA ... 9
INDUSTRY AND MARKET DATA ... 10
FORWARD-LOOKING STATEMENTS ... 11
EXCHANGE RATES ... 13
DEFINITIONS AND ABBREVIATIONS ... 14
DISCLOSURE REQUIREMENTS UNDER FORM PAS-4 PRESCRIBED UNDER THE COMPANIES ACT, 2013 ... 19
SUMMARY OF THE ISSUE ... 21
SUMMARY OF BUSINESS ... 23
SUMMARY FINANCIAL INFORMATION ... 27
RISK FACTORS ... 30
MARKET PRICE INFORMATION ... 47
USE OF PROCEEDS ... 50
CAPITALIZATION STATEMENT ... 51
CAPITAL STRUCTURE ... 52
DIVIDEND POLICY ... 54
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS AS PER FINANCIAL STATEMENTS ... 55
INDUSTRY OVERVIEW ... 70
BUSINESS ... 74
OVERVIEW OF THE INDIAN REGULATIONS AND POLICIES ... 85
BOARD OF DIRECTORS AND SENIOR MANAGEMENT ... 95
PRINCIPAL SHAREHOLDERS ... 105
ISSUE PROCEDURE ... 111
PLACEMENT ... 120
SELLING RESTRICTIONS ... 121
TRANSFER RESTRICTIONS ... 122
INDIAN SECURITIES MARKET ... 123
DESCRIPTION OF THE EQUITY SHARES ... 127
TAXATION ... 132
LEGAL PROCEEDINGS ... 138
INDEPENDENT ACCOUNTANTS ... 146
GENERAL INFORMATION ... 147
FINANCIAL STATEMENTS ... 148
DECLARATION ... 149
DECLARATION IN ACCORDANCE WITH FORM PAS - 4 ... 150

NOTICE TO INVESTORS

Our Company has furnished and accepts full responsibility for all of the information contained in this Preliminary Placement Document and confirms that to its best knowledge and belief, having made all reasonable enquiries, this Preliminary Placement Document contains all information with respect to our Company and the Equity Shares and regarding the Issue that is material. The statements contained in this Preliminary Placement Document relating to our Company, its Subsidiaries and the Equity Shares are, in all material respects, true and accurate and not misleading. The opinions and intentions expressed in this Preliminary Placement Document with regard to our Company, its Subsidiaries and the Equity Shares are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions and information presently available to our Company. There are no other facts in relation to our Company, its Subsidiaries and the Equity Shares, the omission of which would, in the context of the Issue, make any statement in this Preliminary Placement Document misleading in any material respect. Further, our Company has made all reasonable enquiries to ascertain such facts and to verify the accuracy of all such information and statements.

The Book Running Lead Managers have not separately verified the information contained in this Preliminary Placement Document (financial, legal or otherwise). Accordingly, neither the Book Running Lead Managers, or any of their shareholders, employees, counsel, officers, directors, representatives, agents or affiliates make any express or implied representation, warranty or undertaking, and no responsibility or liability is accepted by the Book Running Lead Managers or any of their shareholders, employees, counsels, officers, directors, representatives, agents or affiliates, as to the accuracy or completeness of the information contained in this Preliminary Placement Document or any other information supplied in connection with the Equity Shares. Each person receiving this Preliminary Placement Document acknowledges that such person has not relied on either of the Book Running Lead Managers or on any of their shareholders, employees, counsel, officers, directors, representatives, agents or affiliates in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of our Company, its Subsidiaries and the merits and risks involved in investing in the Equity Shares.

No person is authorized to give any information or to make any representation not contained in this Preliminary Placement Document and any information or representation not so contained must not be relied upon as having been authorized by or on behalf of our Company or by or on behalf of the Book Running Lead Managers. The delivery of this Preliminary Placement Document at any time does not imply that the information contained in it is correct as of any time subsequent to its date.

The Equity Shares to be issued pursuant to the Issue have not been and will not be registered under the U.S. Securities Act, and will not be offered or sold within the United States or any jurisdiction, other than India.

This Issue is being made only to Eligible QIBs and the Equity Shares in this Issue will not in any circumstance be offered to persons in any jurisdiction outside India. As such, this Preliminary Placement Document does not constitute, and may not be used for or in connection with, an offer or solicitation by anyone in any jurisdiction other than India. In particular, no action has been taken by our Company and the Book Running Lead Managers which would permit an offering of the Equity Shares or distribution of this Preliminary Placement Document in any jurisdiction, other than India.

As such, this Preliminary Placement Document does not constitute, and may not be used for or in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. In particular, no action has been taken by our Company and the Book Running Lead Managers which would permit an offering of the Equity Shares or distribution of this Preliminary Placement Document in any jurisdiction, other than India, where action for that purpose is required. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and neither this Preliminary Placement Document nor any offering material in connection with the Equity Shares may be distributed or published in or from any country or jurisdiction outside India.

In making an investment decision, prospective investors must rely on their own examination of our Company, its Subsidiaries and the terms of the Issue, including the merits and risks involved. Investors should not construe the contents of this Preliminary Placement Document as legal, tax, accounting or investment advice. Investors should consult their own counsel and advisors as to business, legal, tax, accounting and related matters concerning this Issue. In addition, neither our Company nor the Book Running Lead Managers are making any representation to any offeree or purchaser of the Equity Shares regarding the legality of an investment in the Equity Shares by such offeree or purchaser under applicable legal, investment or similar laws or regulations. Each subscriber of the Equity Shares in the Issue is deemed to have acknowledged, represented and agreed that it is eligible to invest in India and in our Company under Indian law, including Chapter VIII of the SEBI ICDR Regulations and Section 42 of the Companies Act, 2013, and that it is not prohibited by SEBI or any other statutory authority from buying, selling or dealing in the securities including the Equity Shares. Each subscriber of the Equity Shares in the Issue also acknowledges that it has been afforded an opportunity to request from our Company and review information relating to our Company and the Equity Shares.

The information on our Company's website, any website directly or indirectly linked to our Company's website or the respective websites of the Book Running Lead Managers does not constitute or form part of this Preliminary Placement Document. This Preliminary Placement Document contains summaries of certain terms of certain documents, which summaries are qualified in their entirety by the terms and conditions of such document.

Representations by Investors

References herein to "you" or "your" is to the prospective investors in the Issue.

By bidding and subscribing to any Equity Shares in the Issue, you are deemed to have represented, warranted, acknowledged and agreed to our Company and the Book Running Lead Managers, as follows:

- You are a 'QIB' as defined in Regulation 2(1)(zd) of the SEBI ICDR Regulations and not excluded pursuant to Regulation 86(1)(b) of the SEBI ICDR Regulations, having a valid and existing registration under applicable laws and regulations of India, and undertake to acquire, hold, manage or dispose of any Equity Shares that are Allocated to you in accordance with Chapter VIII of the SEBI ICDR Regulations and undertake to comply with the SEBI ICDR Regulations, the Companies Act and all other applicable laws, including any reporting obligations;

- You are authorized to consummate the subscription of the Equity Shares in the Issue in compliance with all applicable laws and regulations;

- You are a resident of India and are not registered as a foreign portfolio investor (as defined under the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014) ("FPI"), foreign institutional investor, a foreign venture capital investor (as defined under the SEBI (Foreign Venture Capital Investors) Regulations, 2000) ("FVCI") or a multilateral or bilateral financial institution;

- You are not 'owned' or 'controlled' by Non-Residents/ persons resident outside India, as defined under FEMA, except as specified in this Preliminary Placement Document, and you undertake that your investment pursuant to the Issue shall not amount to direct or indirect foreign investment in our Company;

- You are aware that the Equity Shares have not been and will not be registered through a prospectus under the Companies Act, 2013, the SEBI ICDR Regulations or under any other law in force in India. This Preliminary Placement Document has not been reviewed or affirmed by the RBI, SEBI, the Stock Exchanges, the RoC or any other regulatory or listing authority and is intended only for use by Eligible QIBs. This Preliminary Placement Document has been filed with the Stock Exchanges for record purposes only and will be displayed on the websites of our Company and the Stock Exchanges. Our Company shall make the requisite filings with the RoC and the SEBI within the stipulated period as required under the Companies Act, 2013 and the Companies (Prospectus and Allotment of Securities) Rules, 2014;

- You are entitled to subscribe for, and acquire, the Equity Shares under the laws and you have: (i) fully observed such laws; (ii) the necessary capacity, and (iii) obtained all necessary consents, governmental or otherwise, and authorizations and complied with all necessary formalities, to enable you to commit to participate in the Issue and to perform your obligations in relation thereto (including, without limitation, in the case of any person on whose behalf you are acting, all necessary consents and authorizations to agree to the terms set out or referred to in this Preliminary Placement Document), and will honour such obligations;

- Neither our Company nor the Book Running Lead Managers or their respective shareholders, directors, officers, employees, counsel, representatives, agents or affiliates is making any recommendations to you or advising you regarding the suitability of any transactions you may enter into in connection with the Issue. Neither the Book Running Lead Managers nor any of their shareholders, directors, officers, employees, counsel, representatives, agents or affiliates has any duties or responsibilities to you for providing the protection afforded to their clients or customers or for providing advice in relation to the Issue and are not in any way acting in any fiduciary capacity;

- You confirm that, either: (i) you have not participated in or attended any investor meetings or presentations by our Company or its agents ("**Company Presentations**") with regard to our Company or the Issue; or (ii) if you have participated in or attended any Company Presentations: (a) you understand and acknowledge that the Book Running Lead Managers may not have knowledge of the statements that our Company or its agents may have made at such Company Presentations and are therefore unable to determine whether the information provided to you at such Company Presentations may have included any material misstatements or omissions, and, accordingly you acknowledge that the Book Running Lead Managers have advised you not to rely in any way on any information that was provided to you at such Company Presentations, and (b) confirm that you have not been provided any material information relating to our Company and the Issue that was not publicly available;

- All statements other than statements of historical fact included in this Preliminary Placement Document, including, without limitation, those regarding our Company's financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to our Company's business), are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause actual results to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our Company's present and future business strategies and environment in which our Company will operate in the future. You should not place undue reliance on forward-looking statements, which speak only as at the date of this Preliminary Placement Document. Our Company assumes no responsibility to update any of the forward-looking statements contained in this Preliminary Placement Document;

- You are aware and understand that the Equity Shares are being offered only to Eligible QIBs and are not being offered to the general public, and the Allotment of the same shall be on a discretionary basis at the discretion of our Company and the Book Running Lead Managers;

- You are aware that if you are Allotted more than 5% of the Equity Shares in the Issue, our Company shall be required to disclose your name and the number of the Equity Shares Allotted to you to the Stock Exchanges and the Stock Exchanges will make the same available on their websites and you consent to such disclosures. Also if you are a top 10 shareholder in our Company, our Company will be required to make a filing with the ROC within 15 days of the change, as per Section 93 of the Companies Act, 2013;

- You have been provided a serially numbered copy of this Preliminary Placement Document and have read it in its entirety, including in particular, the section "***Risk Factors***" beginning on page 30;

- In making your investment decision, you have (i) relied on your own examination of our Company, its Subsidiaries and the terms of the Issue, including the merits and risks involved, (ii) made your own assessment of our Company, its Subsidiaries the Equity Shares and the terms of the Issue based solely on the information contained in this Preliminary Placement Document and no other disclosure or representation by our Company, its Directors, Promoters and affiliates or any other party, (iii) consulted your own independent counsel and advisors (including tax advisors) or otherwise have satisfied yourself concerning, without limitation, the effects of local laws and taxation matters, (iv) relied solely on the information contained in this Preliminary Placement Document and no other disclosure or representation by our Company or any other party, (iv) received all information that you believe is necessary or appropriate in order to make an investment decision in respect of our Company and the Equity Shares, and (vi) relied upon your own investigation and resources in deciding to invest in the Issue;

- Neither the Book Running Lead Managers nor any of their shareholders, directors, officers, employees, counsel, representatives, agents or affiliates has provided you with any tax advice or otherwise made any representations regarding the tax consequences of purchase, ownership and disposal of the Equity Shares (including but not limited to the Issue and the use of the proceeds from the Equity Shares). You will obtain your own independent tax advice from a reputable service provider and will not rely on the Book Running Lead Managers or any of their shareholders, directors, officers, employees, counsel, representatives, agents or affiliates when evaluating the tax consequences in relation to the Equity Shares (including but not limited to the Issue and the use of the proceeds from the Equity Shares). You waive, and agree not to assert any claim against our Company or the Book Running Lead Managers or any of their shareholders, directors, officers, employees, counsel, representatives, agents or affiliates with respect to the tax aspects of the Equity Shares or as a result of any tax audits by tax authorities, wherever situated;

- You are a sophisticated investor and have such knowledge and experience in financial, business and investment matters as to be capable of evaluating the merits and risks of an investment in the Equity Shares. You are experienced in investing in private placement transactions of securities of companies in a similar nature of business, similar stage of development and in similar jurisdictions. You and any accounts for which you are subscribing for the Equity Shares (i) are each able to bear the economic risk of your investment in the Equity Shares, (ii) will not look to our Company and/or the Book Running Lead Managers or any of their respective shareholders, directors, officers, employees, counsel, representatives, agents or affiliates for all or part of any such loss or losses that may be suffered in connection with the Issue, including losses arising out of non-performance by our Company of any of its obligations or any breach of any representations and warranties by our Company, whether to you or otherwise, (iii) are able to sustain a complete loss on the investment in the Equity Shares, (iv) have no need for liquidity with respect to the investment in the Equity Shares and (v) have no reason to anticipate any change in your or their circumstances, financial or otherwise, which may cause or require any sale or distribution by you or them of all or any part of the Equity Shares. You acknowledge that an investment in the Equity Shares involves a high degree of risk and that the Equity Shares are, therefore, a speculative investment. You are seeking to subscribe to the Equity Shares in the Issue for your own investment and not with a view to resell or distribute;

- If you are acquiring the Equity Shares to be issued pursuant to the Issue, for one or more managed accounts, you represent and warrant that you are authorised in writing, by each such managed account to acquire such Equity Shares for each managed account and to make (and you hereby make) the representations, warranties, acknowledgements and agreements herein for and on behalf of each such account, reading the reference to “you” to include such accounts;

- You are not a ‘Promoter’ (as defined under the SEBI ICDR Regulations) of our Company or any of its affiliates and are not a person related to the Promoter, either directly or indirectly, and your Bid does not directly or indirectly represent the ‘Promoter’, or ‘Promoter Group’, (as defined under the SEBI ICDR Regulations) of our Company or persons relating to the Promoter;

- You have no rights under a shareholders’ agreement or voting agreement with the Promoter or persons related to the Promoter, no veto rights or right to appoint any nominee director on the Board of Directors of our Company other than the rights acquired, if any, in the capacity of a lender not holding any Equity Shares, which shall not be deemed to be a person related to the Promoter;

- You will have no right to withdraw your Bid after the Issue Closing Date;

- You are eligible to apply for and hold the Equity Shares Allotted to you together with any Equity Shares held by you prior to the Issue. Further, you confirm that your aggregate holding after the Allotment of the Equity Shares shall not exceed the level permissible as per any applicable regulation;

- The Application Form submitted by you will not or would not eventually result in triggering a tender offer under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, as amended (the “**Takeover Code**”);

- To the best of your knowledge and belief, the number of Equity Shares Allotted to you pursuant to the Issue, together with other Allottees that belong to the same group or are under common control as you, pursuant to the Allotment under the Issue, shall not exceed 50% of the Issue. For the purposes of this representation:

    a) The expression ‘belong to the same group’ shall derive meaning from the concept of ‘companies under the same group’ as provided in sub-section (11) of Section 372 of the Companies Act, 1956; and

    b) ‘Control’ shall have the same meaning as is assigned to it by Regulation 2(1)(e) of the Takeover Code;

- You shall not undertake any trade in the Equity Shares credited to your beneficiary account until such time that the final listing and trading approvals for such Equity Shares are granted by the Stock Exchanges;

- You are aware that (i) applications for in-principle approval, in terms of Clause 24(a) of the Listing Agreements, for listing and admission of the Equity Shares and for trading on the Stock Exchanges, were made to the Stock Exchanges, and (ii) the application for the in principle and final listing and trading approvals will be made only after Allotment. There can be no assurance that such approvals for listing and trading in the Equity Shares will be obtained in time or at all. Our Company shall not be responsible for any delay or non-receipt of such approvals or any loss arising from such delay or non-receipt;

- You are aware that if you are Allotted any Equity Shares, our Company is required to disclose details such as your name, address and the number of Equity Shares Allotted to the RoC and you consent to such disclosures;

- You are aware and understand that the Book Running Lead Managers have entered into a placement agreement with our Company whereby the Book Running Lead Managers have, subject to the satisfaction of certain conditions set out therein, agreed to manage the Issue and use reasonable efforts to procure subscriptions for the Equity Shares;

- You understand that the contents of this Preliminary Placement Document are exclusively the responsibility of our Company, and neither the Book Running Lead Managers nor any person acting on their behalf has or shall have any liability for any information, representation or statement contained in this Preliminary Placement Document or any information previously published by or on behalf of our Company and will not be liable for your decision to participate in the Issue based on any information, representation or statement contained in this Preliminary Placement Document or otherwise. By participating in the Issue, you agree to the same and confirm that the only information you are entitled to rely on, and on which you have relied in committing yourself to acquire the Equity Shares is contained in this Preliminary Placement Document, such information being all that you deem necessary to make an investment decision in respect of the Equity Shares, you have neither received nor relied on any other information, representation, warranty or statement made by or on behalf of the Book Running Lead Managers (including any view, statement, opinion or representation expressed in any research published or distributed by the Book Running Lead Managers or their affiliates or any view, statement, opinion or representation expressed by any staff (including research staff) of the Book Running Lead Managers or their affiliates or our Company or any of their respective affiliates or any other person, and neither the Book Running Lead Managers nor our Company nor any other person will be liable for your decision to participate in the Issue based on any other information, representation, warranty or statement that you may have obtained or received;

- You understand that the Book Running Lead Managers do not have any obligation to purchase or acquire all or any part of the Equity Shares purchased by you in the Issue or to support any losses directly or indirectly sustained or incurred by you for any reason whatsoever in connection with the Issue, including non-performance by us or any of our respective obligations or any breach of any representations or warranties by us, whether to you or otherwise;

- You understand that the Equity Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state of the United States and accordingly, may not be offered or sold within the United States or any jurisdiction, other than India;

- You agree that any dispute arising in connection with the Issue will be governed by and construed in accordance with the laws of India, and the courts in Bangalore, India shall have exclusive jurisdiction to settle any disputes which may arise out of or in connection with this Preliminary Placement Document and the Placement Document;

- Each of the representations, warranties, acknowledgements and agreements set out above shall continue to be true and accurate at all times up to and including the Allotment, listing and trading of the Equity Shares in the Issue;

- You agree to indemnify and hold our Company and the Book Running Lead Managers harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of the foregoing representations, warranties, acknowledgements and undertakings made by you in this Preliminary Placement Document. You agree that the indemnity set forth in this paragraph shall survive the resale of the Equity Shares by, or on behalf of, the managed accounts; and

- Our Company, the Book Running Lead Managers, their affiliates and others will rely on the truth and accuracy of the foregoing representations, warranties, acknowledgements and undertakings, which are given to the Book Running Lead Managers on their own behalf and on behalf of our Company, and are irrevocable and agreed that, if any of such acknowledgments, representations or agreements is no longer accurate, you will promptly notify our Company and the Book Running Lead Managers.

DISCLAIMER CLAUSE OF THE STOCK EXCHANGES

As required, a copy of this Preliminary Placement Document has been submitted to each of the Stock Exchanges. The Stock Exchanges do not in any manner:

(1) warrant, certify or endorse the correctness or completeness of any the contents of this Preliminary Placement Document;

(2) warrant that the Equity Shares will be listed or will continue to be listed on the Stock Exchanges; or

(3) take any responsibility for the financial or other soundness of our Company, its Promoters, its management or any scheme or project of our Company,

The filing of this Preliminary Placement Document should not for any reason be deemed or construed to mean that this Preliminary Placement Document has been cleared or approved by the Stock Exchanges. Every person who desires to apply for or otherwise acquires any Equity Shares of our Company may do so pursuant to an independent inquiry, investigation and analysis and shall not have any claim against the Stock Exchanges whatsoever, by reason of any loss which may be suffered by such person consequent to or in connection with, such subscription or acquisition, whether by reason of anything stated or omitted to be stated herein, or for any other reason whatsoever.

CERTAIN CONVENTIONS, CURRENCY OF PRESENTATION AND FINANCIAL DATA

Certain Conventions

In this Preliminary Placement Document, unless the context otherwise indicates or implies, references to 'you', 'your', 'offeree', 'purchaser', 'subscriber', 'recipient', 'investors', 'prospective investors' and 'potential investor' are to the prospective investors of the Equity Shares to be issued pursuant to the Issue. References to 'DTL', the 'Company', or 'our Company', 'we', 'our' or 'us' are to Dynamatic Technologies Limited, and where the context requires also includes our Subsidiaries. All references in this Preliminary Placement Document to "India" are to the Republic of India, to the "Government" or the "Central Government" are to the Government of India and to any "State Government" are to the relevant state government in India. All references herein to the "U.S." or the "United States" are to the United States of America and its territories and possessions.

Currency of Presentation

In this Preliminary Placement Document, all references to 'US$', 'U.S. dollars' "U.S. Dollar", "dollars", "US Dollars", "USD" or "$" are to the legal currency of the United States of America. All references to 'INR', 'Rs.', 'Indian Rupees' and 'Rupees' are to the legal currency of India. All references to "euro", "EUR" or "€" are to the single currency of the participating Member States in the Third Stage of European Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time. All references to "British pounds-sterling" or "£" are to the lawful currency of the United Kingdom.

Financial Data

The audited consolidated financial statements of our Company as of and for the years ended March 31, 2012, 2013 and 2014 (collectively, the **"Audited Financial Statements"**), and together with the Audited Financial Statements, the "**Financial Statements**") included in this Preliminary Placement Document, have been prepared and audited in accordance with accounting principles generally accepted in India, or Indian GAAP, and the Accounting Standards notified under Section 211(3)(c) of the Companies Act 1956, the relevant provisions of the Companies Act 1956 and the Companies Act 2013, and the requirements under the Listing Agreements with the Stock Exchanges. Further, limited reviewed financial results for the three months period ended on June 30, 2014 ("**Unaudited Financial Results**") have also been included in this this Preliminary Placement Document. The Unaudited Financial Results have been reviewed by our Company's auditors in accordance with Standard on Review Engagements (SRE) 2410 "Review of Interim Financial Information Performed by Independent Auditors of Entity" issued by the Institute of Chartered Accountants of India.

The degree to which the financial information prepared in accordance with Indian GAAP, included in this Preliminary Placement Document will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices, Indian GAAP, the Companies Act 1956 and Companies Act 2013. Any reliance by persons not familiar with Indian accounting practices, Indian GAAP, the Companies Act 1956 and the Companies Act 2013 on the financial disclosures presented in this Placement Document should accordingly be limited.

In this Preliminary Placement Document, certain numbers or percentage have been subjected to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

The financial year of our Company commences on April 1 of each calendar year and ends on March 31 of the succeeding calendar year, so, unless otherwise specified or if the context requires otherwise, all references to a particular 'Financial Year', 'fiscal year' or 'Fiscal' or 'FY' are to the twelve month period ended on March 31 of that year.

INDUSTRY AND MARKET DATA

Information regarding markets, market size, market share, market position, growth rates and other industry data pertaining to our Company's businesses contained in this Preliminary Placement Document consists of estimates based on data reports compiled by government bodies, professional organizations and analysts, data from other external sources and our knowledge of our revenues and the markets in which we compete. Unless stated otherwise, the statistical information included in this Preliminary Placement Document relating to the industry in which we operate has been reproduced from various trade, industry, government publications and websites and publicly available information.

This data is subject to change and cannot be verified with certainty due to limits on the availability and reliability of the raw data and other limitations and uncertainties inherent in any statistical survey. Neither our Company nor the Book Running Lead Managers have independently verified this data and do not make any representation regarding and take any responsibility for the accuracy and completeness of such data. In many cases, there is no readily available external information (whether from trade or industry associations, government bodies or other organizations) to validate market-related analysis and estimates, so we have relied on internally developed estimates. While we believe our Company's internal estimates to be reasonable, such estimates have not been verified by any independent sources and neither our Company nor the Book Running Lead Managers can assure potential investors as to their accuracy. Potential investors should not place undue reliance on such information forming a part of this Preliminary Placement Document.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this Preliminary Placement Document that are not statements of historical fact constitute 'forward-looking statements'. Investors can generally identify forward-looking statements by terminology such as 'aim', 'anticipate', 'believe', 'continue', 'could', 'estimate', 'expect', 'intend', 'may', 'objective', 'plan', 'potential', 'project', 'pursue', 'shall', 'should', 'will', 'would', or other words or phrases of similar import. Similarly, statements that describe our Company's strategies, objectives, plans or goals are also forward looking statements. All statements regarding our Company's expected financial condition and results of operations; business plans, including potential acquisitions and prospects are forward-looking statements. These forward-looking statements include statements as to our Company's liquidity, growth, business strategy, revenue, dividend policy and profitability, new business and other matters discussed in this Preliminary Placement Document that are not historical facts. These forward-looking statements and any other projections contained in this Preliminary Placement Document (whether made by our Company or any third party), are predictions and involve known and unknown risks, uncertainties, assumptions and other factors that may cause our Company's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections. All forward looking statements are subject to risks, uncertainties and assumptions about us that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause actual results, performance or achievements to differ materially from any of our Company's forward-looking statements include, among others:

- Our inability to raise the necessary funding for our capital expenditures, including for the development of our projects;
- Government policies and actions by courts in India, including those specifically regarding the automotive and aerospace and defence industry, including industrial licensing, environmental regulations, safety regulations, import restrictions and duties, excise duties, sales taxes, value added taxes, goods and services taxes, product range restrictions, diesel and gasoline prices and road network enhancement projects;
- Terms on which our Company's working capital is financed, capital and product development expenditures and investment requirements or on which we reduce our Company's debt;
- Significant movements in the prices of key inputs and raw materials;
- General political, social and economic conditions, and the competitive environment in India, Germany and United Kingdom and other markets in which we operate and sell the products;
- Fluctuations in the currency exchange rate of the Indian Rupees, Euro, GBP, United States Dollar and other currencies;
- The monetary and interest rate policies in India, Germany and United Kingdom and/or other countries, inflation, deflation;
- Our Company's ability to identify and understand industry trends and preferences and develop new products to meet its customers' demands;
- Our Company's ability to attract and retain qualified personnel;
- Changes in technology; and
- Other factors beyond our Company's control.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to those discussed under the sections titled "***Management's Discussion and Analysis of Financial Condition and Results of Operations***", "***Industry Overview***" and "***Business***" beginning on pages 55, 70 and 74, respectively. The forward-looking statements contained in this Preliminary Placement Document are based on the beliefs of management, as well as the assumptions made by, and information currently available to, the management. Although our Company believes that the expectations reflected in such forward-looking statements are reasonable at this time, it cannot assure investors that such expectations will prove to be correct. Given these uncertainties, investors are cautioned not to place undue reliance on such forward-looking statements. If any of these risks and uncertainties materialize, or if any of our Company's underlying assumptions prove to be incorrect, our Company's actual results of operations or financial condition could differ materially from that described herein as anticipated, believed, estimated or expected. All subsequent written and oral forward-looking statements attributable to us are expressly qualified in their entirety by reference to these cautionary statements.

EXCHANGE RATES

Fluctuations in the exchange rate between the Rupee and the U.S. Dollar will affect the U.S. Dollar equivalent of the Rupee price of the Equity Shares on the Stock Exchanges. These fluctuations will also affect the conversion into U.S. Dollars of any cash dividends paid in Rupees on the Equity Shares.

The following table sets forth information concerning exchange rates between the Rupee and the U.S. dollar for the periods indicated. Exchange rates are based on the reference rates released by the RBI. No representation is made that any Rupee amounts could have been, or could be, converted into U.S. dollars at any particular rate, the rates stated below or at all. On October 10, 2014 the exchange rate was Rs. 61.16 to US$1.00.

	Period End	**Average[(1)]**	**High**	**Low**
Fiscal Year Ended:				(Rs. Per US$1.00)
March 31, 2012	51.16	47.95	54.24	43.95
March 31, 2013	54.39	54.45	57.22	50.56
March 31, 2014	60.10	60.50	68.36	53.74
Quarter Ended:				
December 31, 2013	61.90	62.03	63.65	61.16
March 31, 2014	60.10	61.79	62.99	60.10
June 30, 2014	60.09	59.77	61.12	58.43
September 30, 2014	61.61	60.59	61.61	59.72
Month ended:				
April 30, 2014	60.34	60.36	61.12	59.65
May 31, 2014	59.03	59.31	60.23	58.43
June 30, 2014	60.09	59.73	60.37	59.06
July 31, 2014	60.25	60.06	60.33	59.72
August 31, 2014	60.47	60.90	61.56	60.43
September 30, 2014	61.61	60.86	61.61	60.26

Source: *www.rbi.org.in*

(1) Represents the average of the reference rates released by the RBI on every working day of the period for each year and quarter presented

DEFINITIONS AND ABBREVIATIONS

Unless otherwise defined or the context otherwise indicates or requires, certain capitalized terms used in this Preliminary Placement Document have the meanings set forth below:

Company Related Terms

Term	Description
Articles or Articles of Association	The articles of association of our Company, as amended.
Auditors	M/s. B S R & Co. LLP, Chartered Accountants, the statutory auditor of our Company.
Board of Directors or Board	The board of directors of our Company and any committee constituted thereof.
Chairman	The chairman of the Board of Directors.
Director(s)	The director(s) of our Company.
Equity Shares or Shares Equity Shareholders	The equity shares of our Company of face value Rs. 10 each. Equity Shareholders of our Company.
Finance Committee	The finance committee of the Board of Directors described in "*Board of Directors and Senior Management*" on page 95
Managing Director	The managing director of our Company.
Memorandum or Memorandum of Association	The memorandum of association of our Company, as amended.
Promoters	Mr. Udayant Malhoutra
Promoter Group	Promoter group of our Company as per the definition provided in Regulation 2(1)(zb) of the SEBI ICDR Regulations.
Registered Office	The registered office of our Company located at Dynamatic Park, Peenya, Bangalore, Karnataka – 560 058, India.
Registrar of Companies or RoC	The Registrar of Companies, Karnataka, Bangalore.
Subsidiaries	JKM Erla Automotive Limited, JKM Research Farm Limited and JKM Global Pte Limited, Singapore, Dynamatic Limited, UK, Yew Tree Investments Limited, UK, JKM Erla Holdings GmbH, Germany, Eisenwerk Erla GmbH, Germany and JKM Ferrotech Limited.

Issue related Terms

Term	Description
Allocated or Allocation	The allocation of Equity Shares following the determination of the Issue Price to Eligible QIBs on the basis of Application Forms submitted by such Eligible QIBs, in consultation with the Book Running Lead Managers and in compliance with Chapter VIII of the SEBI ICDR Regulations.
Allottees	Successful Bidders to whom Equity Shares are issued and Allotted pursuant to the Issue.
Allotment	The issue and allotment of Equity Shares pursuant to this Issue.
Application or Bid	Indication of interest from an Eligible QIB to subscribe for a specified number of Equity Shares in this Issue on the terms set out in the Application Form to our Company.
Application Form or Bid cum Application Form	The form, including all revisions and modifications thereto, pursuant to which an Eligible QIB submits an Application.
Bidder	Any prospective investor, being an Eligible QIB, who makes a Bid pursuant to the terms of the Preliminary Placement Document and the Application Form.
Bidding / Issue Period	The period between the Bid/Issue Opening Date and Bid/Issue Closing Date, inclusive of both dates, during which prospective Bidders can submit Bids.
Book Running Lead Managers/ BRLMs	Emkay Global Financial Services Limited and IL&FS Capital Advisors Limited
BSE	BSE Limited.

Term	Description
CAN or Confirmation of Allocation Note	Note or advice or intimation to successful Bidders confirming Allocation of Equity Shares to such successful Bidders after determination of the Issue Price and requesting payment for the entire applicable Issue Price for all Equity Shares Allocated to such successful Bidders.
CDSL	Central Depository Services (India) Limited.
Closing Date	On or about [●], 2014, the date on which the Allotment is expected to be made.
Cut-off Price	The Issue Price of the Equity Shares, which shall be determined by our Company, in consultation with the Book Running Lead Managers.
Eligible QIB	QIBs, as defined in regulation 2(1)(zd) of the SEBI ICDR Regulations which are not, (a) excluded pursuant to regulation 86 of the SEBI ICDR Regulations, (b) registered FPIs, FVCIs, bilateral and multilateral institutions or any other QIB that is a Non-Resident or (c) 'owned' or 'controlled' by Non-Residents/ persons resident outside India, as defined under FEMA, except as specifically set forth in this Placement Document
Escrow Bank	DBS Bank Ltd
Escrow Cash Account	The non-interest bearing, no-lien, escrow bank account without any cheque or overdraft facilities opened by our Company with the Escrow Bank under the arrangement between our Company and the Escrow Bank, into which application money received towards subscription of the Equity Shares shall be deposited by the Eligible QIBs.
Floor Price	The floor price of Rs. 1,835.68 per Equity Share, calculated in accordance with Regulation 85 of the SEBI ICDR Regulations.
SEBI ICDR Regulations	The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended.
Issue	The offer and issue of the Equity Shares to Eligible QIBs, pursuant to Chapter VIII of the SEBI ICDR Regulations and the provisions of Companies Act, 2013.
Issue Closing Date or Bid Closing Date	[●], 2014, the date on which our Company (or the Book Running Lead Managers on behalf of our Company) shall cease acceptance of Application Forms.
Issue Opening Date or Bid Opening Date	October 13, 2014, the date on which our Company (or the Book Running Lead Managers on behalf of our Company) shall commence acceptance of Application Forms.
Issue Price	The price per Equity Share of Rs. [●]. Under the SEBI ICDR Regulations, the Issue Price cannot be lower than the Floor Price subject to discount of not more than 5% on the Floor Price which may be considered by our Company.
Issue Size	The issue of [●] Equity Shares aggregating Rs. [●] Lacs.
Listing Agreement	The agreement entered into between our Company and each of the Stock Exchanges in relation to listing of the Equity Shares on each of the Stock Exchanges.
NSDL	The National Securities Depository Limited.
NSE	The National Stock Exchange of India Limited.
Pay-in Date	The last date specified in the CAN for payment of application monies by the Eligible QIBs.
Placement Agreement	The Placement Agreement, dated October 13, 2014, among our Company and the Book Running Lead Managers.
Placement Document	The placement document to be issued by our Company in accordance with Chapter VIII of the SEBI ICDR Regulations and Section 42 of the Companies Act, 2013.
Preliminary Placement Document	This preliminary placement document issued in accordance with Chapter VIII of the SEBI ICDR Regulations and Section 42 of the Companies Act, 2013.
QIB or Qualified Institutional Buyer	Any Qualified Institutional Buyer as defined under Regulation 2(1)(zd) of Chapter VIII of the SEBI ICDR Regulations.
QIP	Private placement to Eligible QIBs under Chapter VIII of the SEBI ICDR Regulations and Section 42 of the Companies Act, 2013 and the Rules made thereunder.
Regulation S	Regulation S, as defined under the U.S. Securities Act.
Relevant Date	September 13, 2014, date of the meeting of the Finance Committee duly authorised by the Board of Directors deciding to open the Issue.
SEBI	The Securities and Exchange Board of India.
SEBI Act	The Securities and Exchange Board of India Act, 1992, as amended.

Term	Description
Stock Exchanges	The BSE and the NSE.
STT	Securities Transaction Tax
U.S. Securities Act	The U.S. Securities Act of 1933, as amended.

Industry related Terms

Term	Description
ACMA	Automotive Component Manufacturers Association of India.
CII	Confederation of Indian Industry.
DDP	The Department of Defence Production
DPSUs	Defence Public Sector Undertakings
HAL	Hindustan Aeronautics Limited
ISO	International Organisation of Standard
MUVs	Multi-Utilities Vehicles
NADCAP	National Aerospace and Defense Contractors Accreditation Program
OEMs	Original Equipment Manufacturers
OHSM	Occupational Health and Safety Managers
SIAM	Society of Indian Mobile Manufacturers

General Terms / Abbreviations

Term	Description
AGM	Annual General Meeting
AIFs	Alternative investment funds (as defined under Regulation 2(1)(b) of the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012, as amended) registered with the SEBI under applicable laws in India.
AS	Accounting Standards issued by ICAI
Act or Companies Act	The Companies Act, 1956 or the Companies Act, 2013, as applicable.
Companies Act, 1956	The Companies Act, 1956 and the rules made thereunder (without reference to the provisions thereof that have ceased to have effect upon the notification of the Notified Sections)
Companies Act, 2013	The Companies Act, 2013 and the rules made thereunder to the extent in force pursuant to the notification of the Notified Sections.
Civil Procedure Code	The Code of Civil Procedure, 1908, as amended.
Competition Act	The Competition Act, 2002, as amended
Control	It shall have the same meaning as is assigned to it under Regulation 2(1)(e) of the Takeover Code.
Crore	10 million.
Delisting Regulations	The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009, as amended.
Depository	Any depository registered with the SEBI under the Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996, as amended.
Depositories Act	The Depositories Act, 1996, as amended.
Depository Participant	Any depository participant, as defined under the Depositories Act, as amended.
DIN	Director Identification Number
DTC	Direct Tax Code, 2013, proposed by the Ministry of Finance, Government of India
EBITA	Earnings before interest, tax and amortization expenses
EBITDA	Earnings before interest, taxes, depreciation and amortization
EPS	Earnings per Share.
EPF Act	The Employees' Provident Funds and Miscellaneous Provisions Act, 1952, as amended.
ESI Act	The Employees' State Insurance Act, 1948, as amended.
Factories Act	Factories Act, 1948, as amended.
FDI	Foreign Direct Investment.
FDI Policy	Consolidated Foreign Direct Investment Policy notified under Circular No. 1 of 2014,

Term	Description
	effective from April 17, 2014, as amended from time to time
FEMA	The Foreign Exchange Management Act, 1999, as amended.
FEMA 20	The Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended.
FIs	Financial Institutions.
FIIs	Foreign institutional investors as defined under the SEBI FPI Regulations.
FIPB	Foreign Investment Promotion Board.
FPI(s)	Foreign portfolio investors as defined under the SEBI FPI Regulations and includes a person who has been registered under the SEBI FPI Regulations. Any foreign institutional investor or qualified foreign investor who holds a valid certificate of registration is deemed to be a foreign portfolio investor till the expiry of the block of three years for which fees have been paid as per the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995
Form PAS-4	Form PAS-4 as prescribed under the Companies (Prospectus and Allotment of Securities) Rules, 2014
FSMA	The U.K. Financial Services and Markets Act, 2000, as amended.
FVCI	Any foreign venture capital investor (as defined under the Securities and Exchange Board of India (Foreign Venture Capital Investors) Regulations, 2000, as amended) registered with the SEBI under applicable laws in India.
GAAP	Generally Accepted Accounting Principles.
GDP	Gross Domestic Product.
GoI/Government	Government/ Government of India/ Central Government.
Gratuity Act	The Payment of Gratuity Act, 1972, as amended.
IAS	International Accounting Standards.
ICAI	The Institute of Chartered Accountants of India.
Ind(AS)	IFRS synchronized Accounting Standards in India
IFRS	International Financial Reporting Standards of the International Accounting Standards Board.
India Ratings and Research	India Ratings and Research Private Limited (formerly known as Fitch Ratings India Private Limited), a part of the Fitch Group.
Indian GAAP	Generally accepted accounting principles followed in India.
Insider Trading Regulations	The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, as amended.
IT Act or the Income Tax Act	The Income Tax Act, 1961, as amended.
ITAT	Income Tax Appellate Tribunal
Lakh/ Lacs	One hundred thousand.
LIBOR	London Interbank Offered Rate.
MAT	Minimum alternative tax.
MCA	Ministry of Corporate Affairs, Government of India
Minimum Wages Act	Minimum Wages Act, 1948, as amended.
MoEF	Ministry of Environment and Forests, Government of India.
MoF	Ministry of Finance, Government of India.
MoU	Memorandum of Understanding.
Mutual Fund	Any mutual fund registered with the SEBI under the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended.
Notified Sections	Sections of Companies Act, 2013 that have been notified by the Government of India
NRI	Non-Resident Indian.
Old Schedule VI	Schedule VI to the Companies Act, as existing prior to a notification dated February 28, 2011 issued by the MCA
p.a.	Per annum.
P/E Ratio	Price/earnings ratio.
PAN	Permanent Account Number.

Term	Description
PBT	Profit before tax
Payment of Bonus Act	Payment of Bonus Act, 1965, as amended.
Payment of Wages Act	Payment of Wages Act, 1936, as amended.
PAT	Profit after tax
PCB	Pollution Control Board of the relevant states of the republic of India.
Private Placement Regulations	Section 42 of the Companies Act, 2013, read with Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014
RBI	The Reserve Bank of India.
Rs. or Rupees or INR	Indian Rupees.
Revised Schedule VI	Schedule VI to the Companies Act, as amended pursuant to a notification dated February 28, 2011 issued by the MCA
SCR (SECC) Rules	Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012, notified by the SEBI
SCRA	The Securities Contracts (Regulation) Act, 1956, as amended.
SCRR	The Securities Contracts (Regulation) Rules, 1957, as amended.
Securities	Shall have the meaning given to such term under the SCRA.
SICA	The Sick Industrial Companies (Special Provisions) Act, 1985, as amended.
Takeover Code	The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, as amended.
TDS	Tax Deducted at Source.
U.K.	United Kingdom.
U.S. or U.S.A.	United States of America, its territories and its possessions and the District of Columbia.
USD or US Dollar or U.S. Dollar	United States Dollar
U.S. GAAP	Generally accepted accounting principles followed in the United States.
VAT	Value Added Tax
VCF	A venture capital fund as defined under the erstwhile Securities and Exchange Board of India (Venture Capital Funds) Regulations, 1996

DISCLOSURE REQUIREMENTS UNDER FORM PAS-4 PRESCRIBED UNDER THE COMPANIES ACT, 2013

The table below sets out the disclosure requirements as provided in Form PAS-4 and the relevant pages in this Preliminary Placement Document where these disclosures, to the extent applicable, have been provided.

Sr. No.	Disclosure Requirements	Relevant Page of this PPD
1.	**GENERAL INFORMATION**	
a.	Name, address, website and other contact details of our Company indicating both registered office and corporate office	151
b.	Date of incorporation of our Company	147
c.	Business carried on by our Company and its subsidiaries with the details of branches or units, if any.	74-84
d.	Brief particulars of the management of our Company.	95-104
e.	Names, addresses, DIN and occupations of the Directors.	95-97
f.	Management's perception of risk factors	30-46
g.	Details of default, if any, including therein the amount involved, duration of default and present status, in repayment of:	
(i)	Statutory dues;	Not applicable
(ii)	Debentures and interest thereon;	Not applicable
(iii)	Deposits and interest thereon; and	Not applicable
(iv)	Loan from any bank or financial institution and interest thereon.	Not applicable
h.	Names, designation, address and phone number, email ID of the nodal/ compliance officer of our Company, if any, for the private placement offer process.	151
2.	**PARTICULARS OF THE OFFER**	
a.	Date of passing of board resolution.	147
b.	Date of passing of resolution in the general meeting, authorising the offer of securities.	147
c.	Kinds of securities offered (i.e. whether share or debenture) and class of security.	21
d.	Price at which the security is being offered including the premium, if any, along with justification of the price.	21
e.	Name and address of the valuer who performed valuation of the security offered.	Not Applicable
f.	Amount which our Company intends to raise by way of securities.	50
g.	Terms of raising of securities:	
(i)	Duration, if applicable;	Not Applicable
(ii)	Rate of dividend;	54
(iii)	Rate of interest;	Not Applicable
(iv)	Mode of payment; and	Not Applicable
(v)	Repayment.	Not Applicable
h.	Proposed time schedule for which the offer letter is valid.	15
i.	Purposes and objects of the offer.	50
j.	Contribution being made by the promoters or directors either as part of the offer or separately in furtherance of such objects.	Not Applicable
k.	Principle terms of assets charged as security, if applicable.	Not Applicable
3.	**DISCLOSURES WITH REGARD TO INTEREST OF DIRECTORS, LITIGATION ETC**	
a.	Any financial or other material interest of the directors, promoters or key managerial personnel in the offer and the effect of such interest in so far as it is different from the interests of other persons.	99
b.	Details of any litigation or legal action pending or taken by any Ministry or Department of the Government or a statutory authority against any promoter of the offeree company during the last three years immediately preceding the year of the circulation of the offer letter and any direction issued by such Ministry or Department or statutory authority upon conclusion of such litigation or legal action shall be disclosed.	138-145

Sr. No.	Disclosure Requirements	Relevant Page of this PPD
c.	Remuneration of Directors (during the current year and last three financial years).	99-101
d.	Related party transactions entered during the last three financial years immediately preceding the year of circulation of offer letter including with regard to loans made or, guarantees given or securities provided.	102
e.	Summary of reservations or qualifications or adverse remarks of auditors in the last five financial years immediately preceding the year of circulation of offer letter and of their impact on the financial statements and financial position of our Company and the corrective steps taken and proposed to be taken by our Company for each of the said reservations or qualifications or adverse remark.	79
f.	Details of any inquiry, inspections or investigations initiated or conducted under the Companies Act or any previous company law in the last three years immediately preceding the year of circulation of offer letter in the case of company and all of its subsidiaries. Also if there were any prosecutions filed (whether pending or not) fines imposed, compounding of offences in the last three years immediately preceding the year of the offer letter and if so, section-wise details thereof for our Company and all of its subsidiaries.	145
g.	Details of acts of material frauds committed against our Company in the last three years, if any, and if so, the action taken by our Company.	Not applicable
4.	**FINANCIAL POSITION OF THE COMPANY**	
a.	The capital structure of our Company in the following manner in a tabular form:	
(i)(a)	The authorised, issued, subscribed and paid up capital (number of securities, description and aggregate nominal value);	52
(b)	Size of the present offer; and	21
(c)	Paid up capital:	52
(A)	After the offer; and	52
(B)	After conversion of convertible instruments (if applicable);	Not Applicable
(d)	Share premium account (before and after the offer).	53
(ii)	The details of the existing share capital of the issuer company in a tabular form, indicating therein with regard to each allotment, the date of allotment, the number of shares allotted, the face value of the shares allotted, the price and the form of consideration.	52-53
	Provided that the issuer company shall also disclose the number and price at which each of the allotments were made in the last one year preceding the date of the offer letter separately indicating the allotments made for considerations other than cash and the details of the consideration in each case.	Not Applicable
b.	Profits of our Company, before and after making provision for tax, for the three financial years immediately preceding the date of circulation of offer letter.	F 1 to F 119
c.	Dividends declared by our Company in respect of the said three financial years; interest coverage ratio for last three years (Cash profit after tax plus interest paid/interest paid).	54 and 69
d.	A summary of the financial position of our Company as in the three audited balance sheets immediately preceding the date of circulation of offer letter.	27-29
e.	Audited Cash Flow Statement for the three years immediately preceding the date of circulation of offer letter.	29
f.	Any change in accounting policies during the last three years and their effect on the profits and the reserves of our Company.	57
5.	**A DECLARATION BY THE DIRECTORS THAT**	
a.	Our Company has complied with the provisions of the Act and the rules made thereunder.	150
b.	The compliance with the Act and the rules does not imply that payment of dividend or interest or repayment of debentures, if applicable, is guaranteed by the Central Government.	
c.	The monies received under the offer shall be used only for the purposes and objects indicated in the Offer letter.	

SUMMARY OF THE ISSUE

*The following is a general summary of the terms of the Issue. This summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information appearing elsewhere in this Preliminary Placement Document, including under the sections "**Risk Factors**", "**Use of Proceeds**", "**Placement**", "**Issue Procedure**" and "**Description of the Equity Shares**" on page 30, 50, 120, 111 and 127 respectively.*

Issuer	Dynamatic Technologies Limited.
Face Value	Rs. 10 per Equity Share
Issue Price per Equity Share	[●]
Issue Size	The issue of up to [●] Equity Shares aggregating up to Rs. [●] Lacs. A minimum of 10 % of the Issue Size i.e. up to [●] Equity Shares shall be available for Allocation to Mutual Funds only, and up to [●] Equity Shares shall be available for Allocation to all Eligible QIBs, including Mutual Funds. If no Mutual Fund is agreeable to take up the minimum portion mentioned above, such minimum portion or part thereof may be Allotted to other Eligible QIBs.
Date of Resolution of Board of Director and Finance Committee	September 8, 2014 and September 13, 2014
Date of Shareholders' Resolution	October 11, 2014
Equity Shares issued and outstanding immediately prior to the Issue	60,41,443 Equity Shares at a face value of Rs.10 per share.
Equity Shares issued and outstanding immediately after the Issue	[●] Equity Shares at a face value of Rs.10 per share.
Eligible Investors	QIBs as defined in regulation 2(1)(zd) of the SEBI ICDR Regulations which are not not, (a) excluded pursuant to regulation 86 of the SEBI ICDR Regulations, (b) registered FPIs, FVCIs, bilateral and multilateral institutions or any other QIB that is not an entity deemed to be a person resident in India under the Foreign Exchange Management Act, 1999 or (c) 'owned' or 'controlled' by Non-Residents/ persons resident outside India, as defined under FEMA, except as specifically set forth in this Preliminary Placement Document, are eligible to invest in this Issue See the section ***"Issue Procedure – Eligible QIB's"*** on page 111. **This Issue is being made only to Eligible QIBs and the Equity Shares in this Issue will not in any circumstance be offered to persons in any jurisdiction outside India.**
Floor Price	Rs. 1,835.68 per Equity Share, calculated in accordance with Regulation 85 of the SEBI ICDR Regulations. Under the SEBI ICDR Regulations, the Issue Price cannot be lower than the Floor Price subject to discount of not more than 5% on the Floor Price which may be considered by our Company.
Listing	(i) Applications for approval, in terms of Clause 24(a) of the listing agreements with the Stock Exchanges were made and (ii) the application for the in-principle and final listing and trading approval, for listing and admission of the Equity Shares and for trading on the Stock Exchanges, will be made only after Allotment of the Equity Shares in the Issue.
Transferability Restrictions	The Equity Shares being allotted pursuant to this Issue cannot be sold for a period of one year from the date of Allotment, except if sold on the floor of the Stock Exchanges. For further details, see the section "***Transfer Restrictions***" beginning on page 122.
Closing	The Allotment of the Equity Shares offered pursuant to the Issue is expected to be made on or about [●], 2014 (the "**Closing Date**").
Ranking	The Equity Shares being issued in the Issue are subject to the provisions of our Memorandum and Articles of Association and shall rank *pari passu* in all respects

	with the existing Equity Shares, including with respect to dividend rights. Shareholders will be entitled to participate in dividends and other corporate benefits, if any, declared by us after the Closing Date, in compliance with the Companies Act, 2013. Shareholders may attend and vote in shareholders' meetings in accordance with the provisions of the Companies Act, 2013. Please see the section "***Description of the Equity Shares***" beginning on page 127.
Use of Proceeds	The gross proceeds of the Issue are expected to be approximately Rs. [●] Lacs. The net proceeds from the Issue, after deducting fees, commissions and expenses of the Issue, will be approximately Rs. [●] Lacs. For further details, please see the section ***"Use of Proceeds"*** beginning on page 50.
Risk Factors	For a discussion of certain risks in connection with an investment in the Equity Shares, please see the section "***Risk Factors***" beginning on page 30.
Security codes:	**ISIN:** INE221B01012; **BSE Code**: 505242; **NSE Code**: DYNAMATECH

SUMMARY OF BUSINESS

OVERVIEW

We are a manufacturer of high precision engineering products catering to three business segments viz (i) Hydraulics (ii) Automotive & Metallurgy and (iii) Aerospace and Defence having units at India, Germany and United Kingdom. In our non-primary business we are involved in wind power generation at Tamil Nadu having an aggregate capacity of 12 MW of power generation. Our Company was incorporated at Bangalore, India, on March 7, 1973, as Dynamatic Hydraulics Limited under the Companies Act, 1956. The name of our Company was changed from Dynamatic Hydraulics Limited to Dynamtic Technologies Limited on December 14, 1992. The Equity Shares of our Company are listed on BSE and NSE.

With over four decades of manufacturing experience, we have evolved to become an integrated multiproduct manufacturing company. We are equipped to deliver from concept and design to manufacture of products and delivery of services in each of the business segments from our facilities at Bangalore, Chennai and Nashik in India and Schwarzenberg, in Germany and Bristol and Swindon, in United Kingdom. Our Company has evolved from being a manufacturer of hydraulic gear pumps to precision engineering products manufacturer.

Further, we have a research and development facility located in Bangalore, India and is engaged in design validation and optimization, analysis and prototyping and testing and analysis of our mechanical products. This facility caters primarily to in-house requirements of our Company in material science, new product design and development, production optimization, prototyping and test validation. This enables our Company to provide end-to-end solutions built uniquely around our customer's needs. This division aims at conferring competitive advantages through optimal solutions, shorter design cycles and higher design quality.

Hydraulics Segment – Under this vertical our Company develops and manufactures various hydraulic pumps, motor and valves. In addition to hydraulic gear pumps, we manufacture a wide range of hydraulic valves and custom tailored hydraulic solutions extending from simple hydraulic pumping units to sophisticated marine power packs. Our products are used in agricultural tractors, earth-moving equipments, material handling equipments, mining and drilling equipments and road paving equipments. Our products focused on hydraulics segments are manufacture in the facilities located at Bangalore, India and Swindon, UK

Automotive & Metallurgy Segment – Under this vertical, we manufacture high quality ferrous and non-ferrous critical engine and transmission components for the automobile industry. Some of these product includes turbocharger parts, water pumps, oil pumps, inlet manifolds, rocker arms, exhaust manifold case assemblies fork shifts, compressor housings, delivery pipes, rocker covers, engine brackets and various engine and transmission parts. Additionally, in this segment we also offer engine parts, transmission parts, chasis parts. Our automotive and metallurgy focused products are manufactured at our facilities located at Chennai, India and Schwarzenberg, Germany.

Aerospace & Defence Segment – Under this vertical, we manufacture airframe structures, precision aerospace components and security products and technologies. We also have complex 5 axis machining capabilities for machining operation in the products focused on this segment. The aerospace and defence focused business includes manufacture of products including wing and rear fuselage, wing flaps and air frame structures and carry out of process of machining, finishing, assembly and inspection operations . The aerospace & defence products are manufactured at our facilities situated at Bangalore and Nashik, in India and at Bristol and Swindon, United Kingdom.

The table below provides information regarding Total Revenue from Operations (net of excise duty) relating to business segments during Fiscals 2012, 2013 and 2014 as per the Consolidated Financial Statements Segment information:

(Rs. in Lacs)

Segments	Fiscal 2012		Fiscal 2013		Fiscal 2014	
	Revenue (net of excise duty)	% of Total Revenue	Revenue (net of excise duty)	% of Total Revenue	Revenue (net of excise duty)	% of Total Revenue
Hydraulic Precision	28,463	18.8%	28,674	19.7%	30,953	19.5%

Engineering						
Automotive Components	108,257	71.8%	99,184	68.3%	105,360	66.4%
Aerospace	14,101	9.4%	17,247	11.9%	22,333	14.1%
Research Farm	-	-	108	0.1%	108	0.1%
Others	32	0.02%	-	-	-	-
Revenue from operations	150,853	100.0%	145,213	100.0%	158,754	100.0%

Our Company is committed to providing quality products to our customers and in this relation have also received various quality accreditations including ISO 9001:2008 Quality Management System, ISO 14001: 2004 Environmental Management System, Environmental Management System Standard BS EN ISO 14001: 2004 and Occupational Health & Safety Management System OHSAS 18000 certifications, Quality Management System ISO/TS 16949:2009, Environmental Management System Standard ISO 14001:2004, Energy Management Standard ISO 50001:2011, ISO 9001: 2000 certificate, Quality Management System AS9100C:2009-01; EN9100:2009; JIS Q9100:2009, AS 9100 “C” annual certification, BSI Quality Management System AS9100 REV C AND ISO 9001:2008 which complies with requirements AS9100 REV C/BS EN 9100:2009, ISO 9001:2008 etc.

OUR COMPETITIVE STRENGTHS

We believe that our primary competitive strengths include the following:

High precision engineering multiproduct company catering to focused business segments

We are a high precision engineering company manufacturing various products catering to focused three business segments viz (i) Hydraulics (ii) Automotive & Metallurgy and (iii) Aerospace and Defence. For FY 2014 contribution of revenue from in total Revenue from Hydraulics, Automotive & Metallurgy and Aerospace & Defence was 19.50%, 66.37% and 14.07% respectively. We believe that the revenue streams from these diverse segments reduce our dependence on any particular sector, thereby shielding us from sector-specific depressions. Further, we believe our high end precision engineering capabilities help us in becoming one of the preferred suppliers to large OEMs across the focus segments in India and overseas.

Fully integrated manufacturing capabilities

We believe we are equipped to deliver solutions from concept to product backed by a strong design division, manufacturing facilities and a dedicated owned foundry which supplies castings providing us with the capability to become an integrated manufacturing company from designing - alloy making - final product making. We believe, this capability helps us to provide one stop engineering solutions for our customers, which helps us in getting repeat orders from our customer and adding new customers

Significant operating experience and relationship with global OEM players

We have four decades of experience in the manufacturing of products for the Hydraulic segment and over a decade experience in our Automotive & Metallurgy and Aerospace & Defence Segments. We have an established global footprint with manufacturing facilities in India, Germany and UK. We believe that our experience in each of our businesses provides us with a significant competitive advantage and has helped us to become one of the preferred suppliers for global OEM players across the focused segments like Audi, BMW, Volkswagen, Hyundai, Mahindra & Mahindra, John Deere, New Holland Hindustan Aeronautics Limited, Airbus, Bell, and Boeing.

Experienced management team and employees

Our Company has an experienced management team led by Mr. Udayant Malhoutra, Promoter, CEO and Managing Director who has been associated with our Company for over two decades. Our Company has requisite mix of employees having academic backgrounds from the automotive, aerospace, casting and engineering industries, business management, commerce, etc. We believe that our qualified and experienced management and employees have contributed to the growth of our operations and the development of our in-house processes and competencies. Our employees have experience in our industry and have been instrumental in implementing our various business strategies from time to time.

Diversified manufacturing facilities

Our manufacturing facilities are located at India, United Kingdom and Germany. We believe our diverse manufacturing helps us in meeting our customer requirements across different geographies in efficient manner which helps in getting repeat orders and addition of customer.

OUR STRATEGIES

To emerge as a global high precision engineering player catering to focused business segments

We are an engineering company with focus on high precision engineering. We intend to continue building on our expertise and execution capabilities and emerge as a preferred player in the areas of Hydraulics, Automotives & Metallurgy and Defence & Aerospace segment globally providing all round engineering solutions to our customers. We recognise that achieving these goals can be effectively enabled by diversifying our customer base and range of products, consolidating our position with existing customers and establishing relations with newer customers in varied segments. We also propose to take initiatives in technology development as well as absorption, setting up new ventures, periodic review of our business portfolio, and expansion of physical capacities, risk management, operational excellence and human resource development.

Development of new products within the focused business segments along with increased focus on performance critical components

Our Company proposes to continue to develop products by developing and/or acquiring new technology and developing our in-house product designing and development capabilities including in association with others. For example our intention to foray into the manufacturing of unmanned aerial vehicle, mobile surveillance vehicle etc. We have a research and development facility located in Bangalore and is engaged in design validation and optimization, analysis and prototyping and testing and analysis of our mechanical products. Further, we intend to increase focus on developing and manufacturing of performance critical components which would in turn help us to augment the positioning of our products amongst our customers.

Develop and continue maintaining strong relationships with our customers

We enjoy relationships with our customers and have become Tier I suppliers to various OEMs across our focused segments. Our customers include global players like Audi, BMW, Volkswagen, Hyundai, Mahindra & Mahindra, John Deere, New Holland Hindustan Aeronautics Limited, Airbus, Bell, and Boeing. We intend to continue leveraging our customer relationships to augment our presence in the markets in which we are currently operating as well as to penetrate newer markets globally.

Continued focus on cost reduction and cost effectiveness

Improving cost efficiency in our manufacturing processes and reducing investments in non-critical manufacturing processes constitute a key part of our business strategy. Recently, we have undertaken several cost reduction steps such as outsourcing certain non-critical manufacturing processes, manpower reduction, inventory reduction, consolidation of production capacities, reduction in waste and phasing out our low-margin products. We will look to invest in assets/opportunities that will help us reduce cost or improve efficiencies.

Improving participation in the manufacturing of products for the defence sector

We have in the past manufactured and supplied product directly or indirectly for the defence sector. With recent liberalisation of defence sector and focus of the government for the indigenisation for the manufacturing of defence products, we intend to improve our participation in the development and manufacturing of products for the defence sector. Further, our Company also intends to focus on offering ISR (Intelligence, Surveillance and Reconnaissance) solutions for the National security forces.

SUMMARY FINANCIAL INFORMATION

*The following selected financial information is extracted from and should be read in conjunction with, audited consolidated financial statements and notes thereto of our Company as at, and for the, fiscal years ended March 31, 2012, 2013 and 2014 prepared in accordance with Indian GAAP, each included elsewhere in this Preliminary Placement Document. You should refer to "**Management's Discussion and Analysis of Financial Condition and Results of Operations**", for further discussion and analysis of the financial statements of our Company.*

(Rs. in Lacs)

Consolidated Balance Sheet as at	31 March 2014	31 March 2013	31 March 2012
Equity and liabilities			
Shareholders' funds			
Share capital	554	541	541
Reserves and surplus	13,761	11,573	13,455
Money received against share warrants	1,000	1,250	-
	15,315	**13,364**	**13,996**
Minority Interest	**264**	**3,295**	**3,295**
Non-current liabilities			
Long-term borrowings	36,185	34,416	46,625
Deferred tax liabilities (net)	3,411	3,131	2,869
Other long-term liabilities	1,385	1,916	2,640
Long-term provisions	288	182	194
	41,269	**39,645**	**52,328**
Current liabilities			
Short-term borrowings	10,077	17,433	18,437
Trade payables	27,625	24,441	22,873
Other current liabilities	19,529	20,281	14,614
Short-term provisions	1,566	2,806	3,079
	58,797	**64,961**	**59,003**
	1,15,645	**1,21,265**	**1,28,622**
Assets			
Non current assets			
Goodwill	6,788	6,788	6,788
	6,788	**6,788**	**6,788**
Fixed assets			
- Tangible fixed assets	59,672	56,709	53,490
- Intangible fixed assets	2,235	2,602	1,899
- Capital work in progress	278	7,422	10,428
- Intangible fixed assets under development	-	188	447
	62,185	**66,921**	**66,264**
Non current investments	1	1	1
Deferred tax assets (net)	-	-	1,035
Long-term loans and advances	2,499	2,160	2,582
Other non-current assets	1,103	357	1,068
	3,603	**2,518**	**4,686**
Current assets			
Inventories	22,799	20,253	19,143
Trade receivables	10,163	14,612	24,629
Cash and bank balances	4,410	5,734	2,327
Short-term loan and advances	2,916	2,301	2,965
Other current assets	2,781	2,138	1,820
	43,069	**45,038**	**50,884**
	1,15,645	**1,21,265**	**1,28,622**

Consolidated Statement of Profit and Loss for the year ended	31 March 2014	31 March 2013	(Rs. in Lacs) 31 March 2012
Revenue from operations			
Sale of products (gross)	1,59,350	1,47,539	1,53,204
Less: excise duty	(5,105)	(5,581)	(4,458)
Sale of products (net)	**1,54,245**	**1,41,958**	**1,48,746**
Contract revenue	2,946	1,759	969
Other operating revenues	1,563	1,496	1,138
	1,58,754	**1,45,213**	**1,50,853**
Other income	1,536	545	997
Total revenue	**1,60,290**	**1,45,758**	**1,51,850**
Expenses			
Cost of materials and components consumed	89,825	85,673	91,731
Change in inventories of finished goods and work-in-progress	(707)	(1,539)	731
Employee benefits	22,156	18,914	18,020
Finance costs	9,973	8,227	7,145
Depreciation and amortisation	5,126	4,638	4,340
Other expenses	31,187	28,615	26,187
Total expenses	**1,57,560**	**1,44,528**	**1,48,154**
Profit before exceptional items and tax	2,730	1,230	3,696
Exceptional items	(150)	-	(175)
Profit before tax	**2,580**	**1,230**	**3,521**
Tax expense			
Current tax	893	1,124	1,388
Minimum alternative tax charge	23	-	89
Minimum alternative tax entitlement	(23)	-	(89)
Deferred tax charge / (credit)	310	1,297	(331)
Profit/ (Loss) after tax	**1,377**	**(1,191)**	**2,464**
Earning per equity share [nominal value of share Rs.10 each]			
Basic and diluted	25.42	(22.00)	45.51
Number of shares used in computing earnings per share			
Basic and diluted	54,16,763	54,14,703	54,14,703

Consolidated Cash Flow Statement for the year ended	31 March 2014	31 March 2013	*(Rs. in Lacs)* 31 March 2012
Cash flow from operating activities			
Profit before tax	2,580	1,230	3,521
Adjustments:			
Depreciation and amortisation	5,126	4,638	4,340
Finance Costs	9,973	8,456	7,145
Interest income	(97)	(60)	(124)
Debts / advances written off	238	40	160
Provision for doubtful debts	(21)	444	174
Unrealised foreign exchange differences, net	68	205	251
(Profit)/Loss on sale of fixed asset, net	(1,246)	25	7
Amortisation of foreign currency monetary item translation difference account	161	86	36
Operating cash flow before working capital changes	**16,782**	**15,064**	**15,510**
Changes in trade receivables	4,396	9,543	(3,312)
Changes in loans and advances and other assets	(2,242)	(38)	(2,394)
Changes in inventories	(2,546)	(1,110)	(1,281)
Changes in trade payables and other current liabilities	4,787	1,224	7,152
Changes in short term and long term provisions	(1,134)	161	(3,490)
Adjustment for foreign exchange in operating activity	(560)	(188)	483
Cash generated from operations	**19,483**	**24,656**	**12,668**
Income taxes paid	(2,076)	(764)	145
Net cash generated from operating activities (A)	**17,407**	**23,892**	**12,813**
Cash flows from investing activities			
Purchase of fixed assets	(3,802)	(6,250)	(15,053)
Payment of purchase consideration, net of cash acquired			(16,735)
Proceeds from sale of fixed assets	2,731	307	57
Purchase of investments			(1)
Movements in deposits with banks	(498)	-	
Interest received	136	21	124
Net cash used in investing activities (B)	**(1,433)**	**(5,922)**	**(31,608)**
Cash flows from financing activities			
Proceeds from Issue of share warrants	750	1,250	-
Proceeds from borrowings	22,916	2,003	26,588
Repayment of borrowings	(23,652)	(8,367)	(6,027)
Proceeds from shareholders towards capital / borrowings	125	470	-
Proceeds of Preference share capital issued by subsidiary	-	-	3,295
Repayment to shareholders	(595)	-	-
Deferral sales tax payment	(107)	(77)	(86)
(Repayments) / Availment of cash credits/ working capital loans (net)	(6,830)	(551)	3,824
Repayments of buyer's credit (net)	(56)	(452)	(723)
Repayments of public deposits (net)	(140)	(28)	(15)
Interest paid	(10,077)	(8,529)	(6,657)
Dividend paid including tax thereon	(3)	(128)	(631)
Net cash (used in) / provided by financing activities (C)	**(17,670)**	**(14,409)**	**19,568**
Net (decrease)/increase in cash and cash equivalents (A + B +C)	**(1,696)**	**3,561**	**773**
Cash and cash equivalents at the beginning of the year	5,408	1,921	1,047
Effect of exchange rate changes on cash and cash equivalent	51	(74)	101
Cash and cash equivalents at the end of the year	3,763	5,408	1,921

RISK FACTORS

This section describes the risks that we currently believe may materially affect our business and operations. You should carefully consider the following, in addition to any forward-looking statements and the cautionary statements in this Preliminary Placement Document and the other information contained in this Preliminary Placement Document, before making any investment decision relating to the Equity Shares. Prospective investors should read this section in conjunction with the sections "Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations as per Financial Statements", as well as other financial and statistical information contained in this Preliminary Placement Document. The risks described below are not the only ones relevant to us or the Equity Shares. Additional risks may be unknown to us and some risks that we do not currently believe to be material could later turn out to be material. Although we will seek to mitigate or minimize these risks, one or more of a combination of these risks could materially and adversely impact our business, financial condition and results of operations. Investors should pay particular attention to the fact that our Company is an Indian company and is subject to a legal and regulatory regime which in some respects may be different from that applicable in other countries. Investors should consult tax, financial and legal advisors about the particular consequences of an investment in the Offering.

INTERNAL RISK FACTORS

Our success will depend greatly on our ability to effectively implement our business and growth strategies. If we do not succeed in executing our business plans and/or strategy, it may affect our business, financial condition and result of operations.

Our success will depend greatly on our ability to effectively implement our business and growth strategies. Even if we have successfully executed our business strategies in the past, there can be no assurance that we will be able to execute our strategies on time and within the estimated budget, or that we will meet the expectations of targeted customers. We believe that our strategies will place significant demands on our management and other resources and will require us to continue developing and improving operational, financial and other internal controls. Any inability to manage the business and strategies could have an adverse effect on our business, financial condition and results of operation.

There can be no assurance that we may be able to successfully undertake future acquisitions or efficiently manage the businesses we have acquired or may acquire in the future.

Our growth strategy in the future may involve strategic acquisitions, partnerships and exploration of mutual interests with other parties. We intend to continue looking for opportunities for enhancing our international footprint by partnering selectively with local businesses in other jurisdictions and by pursuing projects in other countries. While we intend to further expand our geographical reach through such acquisitions, we may not be able to identify or conclude appropriate or viable acquisitions in a timely manner. The success of our past acquisitions and any future acquisitions will depend upon several factors, including the ability to identify and acquire businesses on a cost-effective basis, ability to integrate acquired personnel, operations, products and technologies into our organization effectively, unanticipated problems or legal liabilities of the acquired businesses and tax or accounting issues relating to the acquired businesses.

There can be no assurance that we will be able to achieve the strategic purpose of such an acquisition or operational integration or an acceptable return on such an investment.

We rely increasingly on our subsidiaries to generate earnings and any decline in the earnings of our subsidiaries could materially and adversely affect our results of operations.

We undertake a significant quantum of our business through our subsidiaries. Furthermore, a substantial portion of our assets are held by, and a substantial part of our earnings and cash flows is attributable to, our subsidiaries. Our total revenue from operations on a consolidated basis for fiscal year ending March 31, 2014, 2013 and 2012 was Rs. 1,58,754 Lacs, Rs 145,213 Lacs and Rs 150,853 Lacs respectively and total revenue from operations for fiscal year ending March 31, 2014, 2013 and 2012 on a standalone basis was Rs. 42,892 Lacs, Rs. 42,422 Lacs and Rs. 45,249 Lacs respectively. We cannot assure you that our subsidiaries will generate sufficient earnings and cash flows to pay dividends or otherwise distribute sufficient funds to enable us to meet our obligations, pay interest and expenses or declare dividends. If we are unable to receive dividend payments from our subsidiaries, our earnings and cash flow would be materially and adversely affected.

We are exposed to foreign currency exchange risks, which we may not be able to manage effectively. Currency exchange rate fluctuations could adversely affect our results of operations and financial condition.

Consequent to our expansion into international operations, a significant portion of our revenues is denominated in foreign exchange. The exchange rate between the Rupee and the other foreign currencies has changed substantially in recent years and may continue to fluctuate significantly in the future. Accordingly, our operating results may be impacted by fluctuations in the exchange rate between the Indian Rupee and other foreign currencies.

Our historical financial information is presented in Indian Rupees. Any depreciation of the value of the Indian Rupee can adversely affect the cost of our borrowings and transactions outside of India denominated in currencies other than the Indian Rupee. We are sensitive to fluctuations in foreign currency exchange rates. In particular, our operations are subject to risks arising from fluctuations in exchange rates with respect to our ECB loans.

We export our products to various countries outside of India and import capital equipment, raw materials and components. As such, the fluctuation in the value of the Indian Rupee against the other currencies may adversely impact our revenues, borrowing costs and import costs, consequently affecting our results of operations and financial condition. To manage our foreign exchange exposure, we may or may not enter into various derivative contracts. For details of the foreign currency exposures of our Company that are not hedged as March 31, 2014, please refer to *"Financial Statements"* on page 148. However, there is no guarantee that we may be able to manage our foreign currency risk effectively or mitigate exchange exposures in full, if at all, at all times.

If we fail to keep pace with technical and technological developments in the industry we operate, it could adversely affect our business and results of operations.

To meet the needs of our business operations, we must regularly update existing technology and acquire or develop new technology for our products and services. In addition, rapid and frequent technology and market demand changes can often render existing technologies and equipment obsolete, requiring substantial new capital expenditures and/or write-downs of assets. Our future success will depend in part on our ability to respond to technological advances and emerging unduly standards and practices on a cost-effective and timely basis. Our failure to anticipate or to respond adequately to changing technical, market demands and/or client requirements could adversely affect our business and results of operations. Further, the cost of implementing new technologies could be significant and could adversely affect our financial condition and results of operations.

We incur investments from time to time on our R & D including and not limited to developing our in-house technologies and processes and we may not be able to derive adequate benefits from such investments

We operate in the industry which requires continuous technology upgrade and research activities to stay ahead of the market. We will continue to make investments on R & D including and not limited to developing our in house technologies and processes as we depend significantly on such processes for upgrading our technologies and processes from time to time. These R & D activities are critical since it may improve our profitability, if the same proves to be successful. We cannot guarantee that these R & D activities will not become obsolete.

We significantly rely on a few customers from whom we derive a significant portion of our revenues. Any loss of, or a significant reduction in purchases by such customers could adversely affect its business. Further, any delay in payment by these customers may affect its business and financial condition.

Our Company is dependent on certain principal customers from whom we derive a significant portion of our revenues. However, the composition and revenue generated from these clients might change as we continue to add new clients in normal course of business. Our Company sells its products based on the purchase orders placed by its customers.

Should any of these major customer either curtail or discontinue its dealings with us or face any adverse impact on their business operations, it will have a significant impact on our business and results of operations. The loss of any of the significant customers could have an adverse effect on our business. Also some of our customers may delay in making payments due to us and this may affect the results of our operations and financial condition.

The contracts from our customers may be modified or cancelled, which could adversely affect our revenues and results of operations.

The contracts received from our customers may not necessarily indicate future income due to factors, including unanticipated variations of scope and schedule adjustments. There can be no assurance that the revenues anticipated from the contracts will be realized, or, if realized, will be realized on time or result in profits. In addition, it is possible that contracting parties may default on the amounts owed to us. Any delay, cancellation or payment default could adversely affect our cash flows, revenues and results of operations.

For some of the contracts, our customers are required to perform or take certain actions towards the project such as timely approval of designs, supply of raw materials, technical assistance and supply chain vendors. If a customer does not perform any or all such actions in a timely manner or at all and if the remedy for such failure is not provided for in the contract or if the customer reneges on the contract, our results of operations and our financial condition may be adversely affected.

We face various operational and investment risks due to the long-term nature of some of our contracts with our customers.

Some of the contracts with our customers involve arrangements that are long-term in nature. Long-term arrangements have inherent risks associated with them that may not necessarily be within our control and can restrict our operational and financial flexibility. We may not have the ability to modify its agreements to reflect future changes in the business, or negotiate satisfactory alternate arrangements.

Our profitability depends largely on our revenue generation and how effectively we are able to manage the costs over a period of time. Absence of flexibility could have a negative impact on our ability to repay our lenders and our profitability. Additionally, being committed to long-term contracts exposes us to an increased risk of unforeseen business and industry changes, which could have an adverse effect on our business prospects, its results of operations and financial condition.

Any inability on our part to comply with prescribed specifications and standards of quality in connection with our products and/or manufacturing facilities could adversely impact our business and operations.

Our business requires obtaining and maintaining quality certifications and accreditations from independent certification entities as well as some of our customers. We also comply with prescribed specifications and standards of quality in connection with the products we manufacture. Further, we are required to adhere to stringent regulatory/statutory/contractual specifications and standards and our customers often require our manufacturing facilities and products to be pre-approved and/or accredited by various agencies before placing orders for our products.

We cannot assure you that we will be able to comply with prescribed specifications and standards of quality and will be able to retain or procure the required certifications and accreditions. If we fail to adhere to the aforesaid requirements or changes thereto in a timely manner, or at all, operations and/or profitability could be adversely affected. Our inability to retain such accreditions and/or certifications, including amendments thereto and any changes to industry standards, can also lead to adverse affect on our relationship or pre-qualified status with certain key customers.

We are subject to risks associated with product liability, warranty and recall due to defects in our products or related aftersales services, which could generate adverse publicity and adversely affect our business, results of operations and financial condition.

Defects, if any, in our products could require us to undertake service actions or product replacements. These actions could require us to expend considerable resources in correcting these problems and could materially and adversely affect demand of our products. We are also are required to incur additional insurance costs for product liability claims for some of the products sold by our Company. Some of the defects in our products that arise under the warranty period may render us to provide replacement of such products. Repeated warranty claims may also result in a rise in our cost including insurance costs. Any defects in our products or after-sales services could also result in customer claims for damages. In defending such claims, we could incur substantial costs and receive adverse publicity. Management resources could be diverted away from our ordinary business towards defending such claims. As a result, our business, results of operations and financial condition could be adversely affected.

Failure to meet our production timelines could impact our reputation and could also lead to cancellation of our contracts.

We manufacture diverse products for our customers. As per the terms of certain contracts, we are expected to supply varying quantities at different points in time, as per the given schedule. Our operations are streamlined to take into account our delivery schedule. While a certain amount of time is always calculated as buffer, any serious disruption in our manufacturing units will impact our ability to meet our production timelines. Such failure could adversely affect our reputation and require us to incur additional charges which may adversely impact our profit margins. Further, this may also lead to cancellation of contracts.

We are exposed to fluctuations in prices of raw materials including aluminium, titanium, copper, other alloys and other input materials and if we are unable to compensate for or pass on such costs to our customers in a timely manner or at all, such increased costs could have an adverse impact on our profitability. Further, we do not have long term supply contracts for our raw materials used for manufacture of our products. In the event, we fail to procure raw material from our suppliers on time, there could be further underutilisation of capacity causing delays or loss of business.

We operate in an industry with high raw material content. The cost of material consumed plus change in inventory in finished goods and work in progress as a percentage of total revenues from operations constituted 61.29%, 57.94% and 56.14% for Fiscals 2012, 2013 and 2014 respectively. Further the raw material used by us are exposed to volatility in the prices. Historically, we have successfully passed on the increase in cost of raw materials. However, our cash flows may still be adversely affected because of any gap in time between the date of procurement of these primary raw materials and date on which we can reset the component prices for our customers, to account for the increase in the prices of such raw materials. The prices of the aforesaid commodities are highly volatile and cyclical in nature. Numerous factors, most of which are beyond our control, drive the cycles of the aforesaid material and influence their respective prices.

Some of these factors include general economic conditions, worldwide production capacity, capacity utilization rates, downturns in purchase by traditional bulk end users of these commodities or their customers, a slowdown in basic manufacturing industries, import duties and other trade restrictions and currency exchange rates. If the prices of any of such raw materials increase in the future, there can be no assurance that we will be able to pass along such increases to our customers, thereby adversely affecting our margins and profits.

Additionally, we do not have any long term contracts for procurement of our raw materials. In the event, we fail to procure raw material from our suppliers on time, there could be further under utilisation of capacity causing delays or loss of business. If our suppliers/vendors are unable to supply the raw material and/or components required for the manufacture of our products, in sufficient quantities, or there is a loss of one or more significant suppliers/vendors, our ability to obtain raw material, components and/or products at competitive rates could be adversely affected. In such event, our cost of purchasing such raw material/components/products from alternate sources could be higher thereby adversely affecting our operating margins and our results of operations. There can be no assurance that strong demand, capacity limitations or other problems experienced by our suppliers will not result in occasional shortages or delays in their supply of raw materials. Further in the event of unavailability of these raw material from any of our existing suppliers may require us to source it from other parts of India or overseas. We may have to bear significantly higher transportation costs and it could also lead to delays in procurement. All of these factors and any severance of our relations with our suppliers and/or vendors may have an adverse impact on our business and results of operations.

Our ability to reduce our cost of production and thereby increase our operational efficiency is an essential part of our business strategy and we cannot assure you that our cost reduction measures will achieve the planned operational efficiencies we seek.

Reducing our cost of production is essential to our business strategy in a highly competitive market environment. Our cost reduction efforts focus on a combination of measures such as the effective management of our supply chain, the use of third party logistic providers, value engineering, process and productivity improvements, and establishing a strategic sourcing group to consolidate, strategize and monitor our supply chain activities with respect to major items of purchase. Our measures to increase our operational efficiency may not yield similar results in the future, which may adversely affect our results of operations.

Our Company has given corporate guarantees/undertakings on behalf of our Subsidiaries, which if claimed on or acted upon may affect our business and results of operations.

As of March 31, 2014, our Company provided corporate guarantee aggregating to Rs. 23,986 Lacs on behalf of our Subsidiaries, details of which are as follows:

(Rs. in Lacs)

Sr. No.	Name of the subsidiaries	Details of corporate guarantee
1.	Dynamatic Limited, UK	235
2.	JKM Erla Automotive Limited	2,674
3.	Eisenwerk Erla GmbH	14,795
4.	JKM Ferrotech Limited	6,282
Total		23,986

In the event that the parties whose obligations our Company has guaranteed do not perform their obligations under any of the guarantees, the lenders for such facilities may require alternate guarantees or the acceleration or repayment of the amounts guaranteed. Our Company may not be successful in procuring alternate guarantees satisfactory to the lenders, and as a result may need to repay outstanding amounts under such guarantees, which could adversely affect its business, cash flows, results of operations and financial condition.

Further our Company has undertaken the liability for one of its subsidiaries in case the subsidiary in unable to meet its commitment. . Pursuant to a subscription agreement dated June 1, 2011 amongst our Company, SHL Trading limited ("STL") and our Subsidiary JKM Erla Automotive Limited ("JEAL"), JEAL, has issued 2,636,000 0.01% non-cumulative redeemable preference shares of Rs. 10 each to STL at a premium of Rs. 115 per share aggregating to Rs 3,300 lacs. These shares are redeemable, in whole or in part after 18 months by subscriber, after giving a notice in writing to JEAL, at a price that ensures to the subscriber an internal rate of return of 18% per annum. Our Company undertakes the liability in case JEAL is unable to redeem the abovementioned non-cumulative redeemable preference shares or does not pay the redemption value when due and payable. In the event that JEAL do not perform its obligations, our Company may need to repay outstanding amounts under such guarantee, which could adversely affect our Company's business, cash flows, results of operations and financial condition.

Any downgrading of our Company's debt ratings or of India's sovereign debt rating could adversely affect our Company's business.

Our Company's long-term debt is currently rated by ICRA Limited ("ICRA") as '[ICRA] BBB-' which is considered to have moderate degree of safety regarding timely servicing of financial obligations. The outlook on the long term rating is Positive. Our Company's short-term debt is currently rated by ICRA as '[ICRA]A3' which is considered to have moderate degree of safety regarding timely payment of financial obligations. Such instruments carry higher credit risk as compared to instruments rated in the two higher categories.

There is no certainty that in the future, our Company's ratings would not be downgraded and any downgrading in its credit ratings may increase interest rates for refinancing its outstanding debt, which would increase our Company's financing costs, and adversely affect its future issuances of debt and ability to raise new capital on a competitive basis, which may adversely affect our Company's profitability and future growth.

In addition, any adverse revisions to India's credit ratings for domestic and international debt by rating agencies may adversely impact our ability to raise additional financing and the interest rates and other commercial terms at which such financing is available. This could have an adverse effect on our business and future financial performance and ability to fund our growth.

Increases in interest rates may adversely affect our results of operations.

We are exposed to interest rate risk. A substantial part of the indebtedness incurred by us carry interest at floating rates with the provision for periodic reset of interest rates. We have an outstanding indebtedness, certain borrowings of which are subject to floating interest rates. Any fluctuations in interest rates may directly impact the interest costs of such loans and, in particular, any increase in interest rates could adversely affect our results of operations. Furthermore, as a result of payment of interest on our indebtedness, reduces the funds available to us for use in our general business growth. If interest rates increase, our interest payments will increase and our ability to obtain additional debt and non-fund based facilities could be adversely affected with a concurrent adverse effect on our business, financial condition and results of operations.

Our loan agreements have certain restrictive covenants. Such restrictive covenants may restrict our ability to undertake certain corporate actions or otherwise.

We have entered into various financing arrangements with various banks that contain provisions which restrict our ability to do, among other things, the following:

- Raising additional debt;
- Effecting any change to our capital structure or management;
- Formulating any scheme of amalgamation or reconstruction;
- Undertaking expansion or fresh projects or acquiring fixed asset;
- Give any corporate/financial guarantee;
- Repay monies brought in by the promoters/ directors/ principal shareholders by way of deposits/ loans/ advances;
- Declaring dividends except out of profit; and
- Issuing of bonus shares or disposing off shareholding of promoters.

We must obtain the consent or send an intimation of these proposals to our lenders prior to undertaking the abovementioned corporate actions. There can be no assurance that we will obtain relevant consents, on time or at all, and this may restrict/ delay some of the actions / initiatives necessary to operate and grow our business and also impact us financially.

In the past, we have been able to proceed with transactions that, although discussed with our lenders, could arguably have given rise to technical, though not substantive, breaches of certain covenants under our financing arrangements including maintenance of certain financial ratios. However, should our lenders enforce their rights against us in this matter, our business, results of operations and financial condition could be adversely impacted.

Our Company had made loss after tax as well as had negative cash flows in the past. If we are not able to generate profits or sufficient cash flow in the future, it may adversely affect our business and financial condition.

The following table sets forth the profit/loss after tax from our consolidated statement of profit or loss as well as selected items from our consolidated cash flow statement for the preceding three financial years:

(Rs. in Lacs)

Particulars	**FY 2012**	**FY 2013**	**FY 2014**
Profit/Loss after tax	2,464	(1,191)	1,377
Net Cash (used in) / provided by	19,568	(14,409)	(17,670)

financing activities			
Net Cash (used in) investing activities	(31,608)	(5,922)	(1,433)

There can be no assurance that the business of our Company will be in line with those estimated or historically achieved or that we will not continue to incur losses in the future. Further any losses may also affect our ability to pay dividends, repay loans and make new investments without raising finance from external resources.

Our ability to pay dividends in the future will depend upon future earnings, financial condition, cash flows, of our Company.

The declaration, payment and amount of any future dividends of our Company is subject to the discretion of the Directors, and will depend upon, among other factors, on our future earnings, financial condition, cash flows of our Company. There can be no assurance as to whether our Company will pay a dividend in the future and if so the level of such future dividends. For more information on our dividend policy, see the section titled *"Dividend Policy"* on page 54.

Some of our subsidiaries have incurred losses in the past and there can be no assurance that the business of these subsidiaries will grow or they will not continue to incur significant losses in the future. Such financial losses by our subsidiaries may not be perceived positively by external parties such as customers, bankers, suppliers etc, which may affect our credibility and business operations.

Our subsidiaries JKM Erla Automotive Limited, JKM Research Farm Limited and our step down subsidiary JKM Ferrotech Limited, incurred losses in the previous financial years. Further JKM Ferrotech Limited ("JFTL") was classified as sick company as per the provisions of the Sick Industrial Companies Act, 1985 ("SICA"). Consequently, JFTL has complied with the requirement as enunciated in section 15 of SICA and accordingly filled the necessary documentation to Board for Industrial and Financial Reconstruction ('BIFR'). Moreover, JFTL as a part of remedial measures have issued share capital. Resultantly, JFTL has moved out of Section 3(1)(o) of the SICA and has become a potential sick company as per the provisions of Section 23A of SICA.

We cannot assure that in future the business of these subsidiaries will revive or will be in line with those estimated or that there has not been any material adverse change in their financial condition or results of operations. Any breach or contravention by these companies of financial covenants or licences or any applicable laws may adversely affect our results of operations and financial condition. There can be no assurance that the business of these subsidiaries will grow or will be in line with those estimated or historically achieved financial condition or results of operations, or that the entities that have incurred significant losses in Fiscal 2014 or historically will not continue to incur significant losses in the future. In case these subsidiaries continue making losses it may not be perceived positively by external parties such as customers, bankers, suppliers etc, which may affect our business operations.

Our Registered Office and some of the other premises from which we operate or are used by our Company for the purposes of our operations are situated at lease hold premises. Any termination of the relevant lease or leave and license agreements in connection with such properties or our failure to renew the same could adversely affect our operations.

Our Registered Office and some of the other premises from which we operate or are used by our Company for the purposes of our operations are situated at lease hold premises. In the event that we are required to vacate the lease and relocate our Registered Office, manufacturing and / or research and development facilities, we will be required to expend time and financial resources to locate suitable land to set up a manufacturing unit, which may adversely affect our financial condition. Also, we may be unable to relocate to an appropriate location in a timely manner, or at all. Additionally, for our other offices, we enter into lease or license arrangements as and when required.

If the owner of such premises does not renew the agreement under which we occupy the premises or renew such agreements on terms and conditions that are unfavorable to us or is terminated prior to its tenure, our business and results of operations may be adversely affected. In addition, any adverse impact on the title and ownership rights of the owners from whose premises we operate or any breach of the contractual terms of such lease or leave and license agreements may adversely impact us.

We require certain registrations and permits from government and regulatory authorities in the ordinary course of business and the failure to obtain them in a timely manner or at all may adversely affect our operations. If we fail to obtain or renew any applicable approvals, licenses, registrations and permits in a timely manner, our ability to undertake our businesses may be adversely impacted, which could adversely affect our results of operations and profitability.

We require a number of approvals, licenses, registrations and permits for operating our businesses and operations. Moreover, we may need to apply for additional approvals in the future. Further, we may need to renew some of the approvals, which may expire, from time to time, in the ordinary course. There can be no assurance that the approvals, licenses, registrations and permits issued to us will not be suspended or revoked in the event of non-compliance or alleged non-compliance with any term or condition thereof, or pursuant to any regulatory action. While our Company has endeavored to obtain or apply for all applicable governmental, statutory and regulatory permits, licenses and approvals, including renewals thereof, to operate its business, certain governmental or statutory approvals and/or licenses may have expired or applications for the same (or renewals thereof) are still pending before the concerned authorities. We cannot assure that we would be granted such licenses in a timely manner. Further, if we fail to obtain or renew any applicable approvals, licenses, registrations and permits in a timely manner, our ability to undertake our businesses may be adversely impacted, which could adversely affect our results of operations and profitability. Furthermore, government approvals and licenses may be subject to numerous conditions, some of which could be onerous.

Stringent environmental, health and safety laws and regulations or stringent enforcement of existing environmental, health and safety laws and regulations may result in increased liabilities and increased capital expenditures.

Our operations are subject to environmental, health and safety and other regulatory and/or statutory requirements in the jurisdictions in which we operate. We are required to comply with central, state and local environmental laws and regulations governing the protection of the environment and occupational health and safety, including laws regulating the generation, storage, handling, use and transportation of waste material, the emission and discharge of waste materials into soil, air or water, and health and safety of employees. We are also required to obtain and comply with environmental permits for certain of our operations. There can be no assurance that we will at all times be in complete compliance with such laws, regulations and permits.

Our operations may generate significant amounts of pollutants and waste, some of which may be hazardous. The discharge, storage and disposal of such hazardous wastes are subject to environmental regulations. Non-compliance with these regulations, which among other things, limit or prohibit emissions or spills of toxic substances produced in connection with our operations, could expose us to civil penalties, criminal sanctions and revocation of key business licences. Stringent statutory and/or regulatory requirements in connection with environment, health and safety are likely to result in increased environmental capital expenditures and costs for environmental compliance. If we violate or fail to comply with these requirements, we could be fined or otherwise sanctioned by the relevant regulators. In addition, due to the possibility of unanticipated regulatory or other developments, the amount of future environmental expenditures may vary widely from those currently anticipated. Any environment related investments/expenditure may reduce funds available for other investments.

We are involved in certain legal and, regulatory proceedings that, if determined against us, may have an adverse impact on our business, operations and financial condition.

There are certain outstanding legal proceedings including tax proceedings against us pending at various levels of adjudication before various courts, tribunals, authorities and appellate bodies in India. Should any new development arise, such as, change in applicable laws or rulings against us by the appellate courts or tribunal, we may need to make additional provisions in our financial statements, which may increase our expenses and our liabilities. A summary of these legal and other proceedings involving our Company, our Subsidiaries are given in the following table:

(Rs. in Lacs)

Type of Proceedings	Number of cases	Amount to the extent quantifiable*

Case filed against our Company		
Tax Proceeding	1	34.02
Labor Proceedings	8	Not quantifiable
Case filed by our Company		
Criminal Proceedings	2	3.99
Intellectual Property Right Proceedings	1	Not quantifiable
Case filed against our Subsidiaries		
Civil Proceedings	2	Not quantifiable
Case filed by our Subsidiaries		
Civil Proceeding	1	26.90
Potential Litigations against Subsidiaries	1	Not quantifiable

**** The amount involved is the amount expressly claimed or involved, being the liability and financial impact which may be incurred if we are unsuccessful in legal proceedings.***

For further details on the outstanding litigations pertaining to our Company, Promoters, and our Subsidiaries refer to chapter titled "*Legal Proceedings*" beginning on page 138.

Our Company has sought compounding of offence under section 212 of the Companies Act, 1956. While our Company has filed the aforesaid compounding applications, the Company Law Board may reject to compound the offence and may levy applicable penalty under the Act.

Our Company had filed the following application under Section 621A of the Companies Act with the Company Law Board in connection with compounding of the following irregularity/default under the Companies Act.

Sr. No.	Date	Section of the Companies Act for Violation of which the application was made	Present Status
1.	April 27, 2010	Section 212 of the Companies Act for submission of balance-sheet of our Company to include certain particulars as to its subsidiaries	Company had filled Form-61 with Registrar of Companies

Our Company has sought to address abovementioned non-compliance of the Companies Act by filing the aforesaid compounding application. However, our compounding application is pending with the RoC, Karnataka, Bangalore. The same is subject to a maximum penalty of Rupees 10,000/- or imprisonment for a term which may extend to six months as provided under Section 212 of the Companies Act, 1956.

Our Company has delayed in complying with reporting guidelines under the provisions of the Foreign Exchange Management (Transfer or issue of security by a person resident outside India) Regulations, 2000. Such non-compliances may result into penalties or other action on our Company by RBI.

Our Company has issued the corporate guarantees in favour of our subsidiaries namely JKM Global Pte. Limited, Singapore and Dynamtic Limited, UK. Such guarantees will have to be reported to the RBI in Form ODI. However, our Company has delayed in complying with reporting requirements under the provisions of the Foreign Exchange Management (Transfer or issue of security by a person resident outside India) Regulations, 2000. Such non-compliances may result into penalties or other action on our Company by RBI.

Further, an Indian company which has made direct investment abroad is under obligation to submit documents/ Annual Performance Report to the RBI every year by June 30. However, our Company has in the past delayed in complying with filing of Annual Performance Report with RBI. Such delay/non-compliance may render us liable for statutory penalties by RBI.

Restrictions on foreign investment in the industry in which our Company operates may hamper our ability to raise additional capital from person's resident outside India or investors may not be able to sell the Equity Shares to foreign investors.

The industry in which we operate is highly regulated and there are restrictions in terms of foreign investments. The existing Consolidated FDI Policy dated April 17, 2014 issued by the Department of Industrial Policy and Promotion (the "FDI Policy") and the RBI Master Circular No. 11/2014-15 dated July 1, 2014 imposes certain conditions and restrictions in terms on investments in defence sector in India. Until August 26, 2014, Foreign Direct Investment in the defence sector was permitted up to 26% of the total paid up share capital of our Company under the government route i.e. it required prior approval of the Foreign Investment Promotion Board **("FIPB")**. Accordingly, our Company received an approval dated March 16, 2009 from the FIPB permitting foreign equity participation of upto 26% in the paid up capital of our Company subject to certain terms and conditions mentioned therein. As our company reached/crossed this permissible limit of foreign investment, the RBI *vide* its letter dated June 21, 2013, has prohibited the further purchase of the shares of our Company through the Stock Exchanges in India on behalf of FII/NRIs/PIOs/persons resident outside India. Such prohibitions and restrictions imposed by the foreign exchange regulations, restricts our ability to raise additional capital from persons resident outside India and further may also restrict investors to sell the Equity Shares in our company to persons resident outside India.

Further, typically the approval granted by FIPB is based on certain facts and business activities then carried out by our Company and informed to the FIPB whilst making the application for approval. In the event there are any addition in the any business activity of our Company which requires FIPB approval or any change in any such fact basis of which FIPB has granted it approval, our Company have to require to approach the FIPB for inclusion of such new activity in the already approval granted or may even have to seek fresh approval. Any delay or rejection of approval from FIPB may restrict or hinder our ability to implement our business strategies and growth plans effectively and in a timely manner.

As a listed entity, our Company is subject is to certain reporting requirements under SEBI Insider Trading Regulations, Takeover Code, such as submission of interest or holding by the directors and officers of our Company, etc. Any delay, including delay caused to oversight, in complying with such reporting requirements may render us liable to prosecution and/or penalties.

As a listed entity, our Company is subject is to certain reporting requirements under SEBI Insider Trading Regulations, Takeover Code, such as submission of interest or holding by the directors and officers of our Company. Though our Company endeavours to comply with all such reporting requirements, at times due to oversight there are certain delays in complying with such reporting requirements. Any such delays or non-compliance would render our Company to prosecution and/or penalties. Although, our Company has not received any communication from the stock exchanges or any authority in this regard, there could be a possibility that penalties may be levied against our Company for certain delays in complying with such reporting requirements. Further, in some instances our Company does not have acknowledgement of receipt of certain Stock Exchanges filings/reporting made by our Company under the Listing Agreement, Takeover Code and SEBI Insider Trading Regulations due to which may not be in a position to ascertain or evidence compliances with such reporting requirements.

Some of our Company's records relating to certain filings made with the registrar of companies by our Company for the period between 1973 –1992 are not traceable.

Our Company is unable to locate certain corporate records which include copies of certain filings made by our Company with the Registrar of Companies in India.

These filings include, *inter alia*, certain filings made with the registrar of companies in relation to certain changes to its authorized share capital, allotments of equity shares, etc. since incorporation of our Company until 1992. While our Company believes that these forms were duly filed with the registrar of companies, it has been unable to obtain copies of these documents, including from the registrar of companies.

Since copies of these are unavailable with us, we cannot assure you that these forms or reports were duly filed on a timely basis, or at all. We cannot assure you that records of these forms will be available in the future or that we will not be subject to any penalty imposed by the competent regulatory authority in this respect. If RoC impose any penalty or take any action against us, it may have an adverse effect on our operations and financial condition.

We have applied for registration of the corporate logo and other intellectual property rights and hence we may not be able to adequately protect our intellectual property.

Our Company has applied for registration of the corporate logo "" under the provisions of the Trademarks Act, 1999. There can be no assurance that our Company will be able to register the trademark and the logo or that any third party will not misuse our name or logo or passing off its intellectual property, which may adversely affect our business prospects and goodwill.

Further, our Company has applied for the registration of certain patents and trademarks, including in respect of some of our products and services. There can be no assurance that our Company will be able to register the patents or trademarks or third parties will not misuse our intellectual property, which may adversely affect our business prospects and reputation.

Our success depends largely upon the services of our Chief Executive Officer & Managing Director, key managerial personnel and senior executive officers. Our business may be severely disrupted if we lose their services and are unable to replace them in the timely manner.

Our Company and our Chief Executive Officer & Managing Director have over the years, built relations with suppliers, customers and other persons who are connected with our business. Further, our Company is highly dependent on our Chief Executive Officer & Managing Director, key managerial personnel and senior executive officers to maintain strategic direction, manage current operations and risk profile and meet future business challenges, including the planned expansion and the addition of new businesses. Any loss of the services of our Chief Executive Officer & Managing Director, key managerial personnel and senior executive officers, may have an adverse effect on our financial results and business prospects.

Further, there is intense competition for experienced senior management and personnel with technical and industry expertise in the industry in which we operate, and we may not be able to retain these officers or key employees. Our inability to recruit or train a sufficient number of experienced personnel or our inability to manage the attrition levels in different employee categories may have an adverse effect on our financial results and business prospects. Our success in attracting additional qualified personnel, if required, will depend on many factors, including our ability to provide them with competitive compensation arrangements and other benefits. There is no assurance that we will be successful in attracting highly qualified individuals in key positions.

In addition to our full-time employees, we utilise services of external consultants who holds key portfolios in our Company. Although, we maintain satisfactory relations with these external consultants and continue to engage them, there can be no assurance that we will be able to continue to engage them in the future.

Our employees are members of unions and we may be subject to industrial unrest, slowdown or increased manpower costs, which may adversely affect our results of operations and financial condition.

India has stringent labour legislation that protects the interests of workers, including legislation that sets forth detailed procedures for the establishment of unions, dispute resolution, employee removal and legislation that imposes certain financial obligations on employers upon retrenchment.

Due to the existence of labour union, it may be difficult for us to maintain flexible labour policies, and we may face the threat of labour unrest, work stoppages and diversion of management's attention to union intervention.

The long term settlement agreement executed by our Company with trade union in relation to our Company's various manufacturing facilities may expire in the future and this may have an adverse effect on our Company's financial condition (for e.g. some of the wage agreements require the employees to comply with certain productivity levels). We may in the future be subject to labour unrest, which may delay or disrupt our operations in the affected regions, including the acquisition of raw materials and parts, the manufacture, sales and distribution of products and the provision of services. If work stoppages or lock-outs at our facilities or at the facilities of our major suppliers occur or continue for a long period of time, our business, results of operations and financial condition may be adversely affected.

We engage contract labour for carrying out certain of our operations and we may be held responsible for paying the wages of such workers, if the independent contractors through whom such workers are hired default on their obligations, and such obligations could have an adverse effect on our results of operations and financial condition.

We appoint independent contractors who in turn engage on-site contract labour for performance of certain of our operations in India. Although we do not engage these labourers directly, we may be held responsible for any wage payments to be made to such labourers in the event of default by such independent contractors. Any requirement to fund their wage requirements or other such difficulties in managing contract labour may have an adverse impact on our results of operations and financial condition.

Break-down in machinery and a delay in procurement of replacement for machinery parts could impact our manufacturing operations and performance.

A large part of our automated machinery is imported. Certain machinery/parts are not covered under warranty. Also, normal wear and tear and break-down due to improper handling is not covered by the warranty. Inability to promptly procure replacement / spare parts could significantly impact our operations and could also hamper our ability to meet out production timelines, which will, in turn, impact our business operations.

Further, in the event such parts/machinery are not covered under warranty, our Company may have to incur significant capital expenditure for replacing such machinery which may impact our net cash flow.

Our insurance coverage may not be adequate to protect us against all potential losses to which we may be subject, and this may have a material adverse effect on our business and financial condition.

We maintain insurance for a variety of risks, including risks relating to our buildings, plant and machinery, stocks, goods-in-transit, products etc. While we believe that the insurance coverage we maintain would reasonably be adequate to cover all normal risks associated with the operation of our business, there can be no assurance that any claim under the insurance policies maintained by us will be honoured fully, in part or on time, nor that we have taken out sufficient insurance to cover all material losses. Furthermore, there can be no assurance that we will be able to maintain adequate insurance coverage in the future at acceptable costs. To the extent that we suffer loss or damage for which we do not obtain or maintain insurance or exceeds our insurance coverage, the loss would have to be borne by us and our results of operations and financial performance could be adversely affected.

In addition, not all of the risks associated with our business may be insurable, on commercially reasonable terms or at all. Although we believe that we have obtained insurance coverage customary to our business, such insurance may not provide adequate coverage in certain circumstances and is subject to certain deductibles, exclusions and limits on coverage. To the extent that we suffer damage or losses which is not covered by insurance, or exceeds our insurance coverage, the loss would have to be borne by us. We cannot assure you that material losses in excess of insurance proceeds will not occur in the future.

The loss, shutdown or slowdown of operations at any of our facilities, or the failure of information technology systems, could have a material adverse effect on our results of operations and financial condition.

Our facilities are subject to operating risks, such as the breakdown or failure of equipment, power supply interruptions, facility obsolescence or disrepair, labour disputes, natural disasters and industrial accidents. For example the Indian operations at Chennai manufacturing facility have suffered in the past due to issues in power supply. The occurrence of any of these risks could affect our operations by causing production at one or more facilities to shut down or slow down.

No assurance can be given that one or more of the factors mentioned above will not occur, and this could have a material adverse effect on our results of operations and financial condition.

Our information technology systems are a critical part of our business and help us manage key business processes such as product design and development, customer and dealer relationship management and transaction processing, together with our management information system. Any delays in implementing critical upgrades to our information management systems or technical failures associated with our information technology systems, including those caused by power failures, computer viruses or unauthorized tampering of our information technology systems, may adversely impact our ability to manufacture our products, manage our vendors and dealers and provide services to our customers. In addition, we may be subject to claims as a result of any theft or misuse of information of customers stored on our systems, all of which could adversely affect our results of operations and financial condition.

We face growing and new competition that may adversely affect our competitive position and our profitability.

We are subject to competition for our products across all the focused segments of our business. Some of our competitors may have substantially greater financial and other resources than we do, with greater economies of scale, diversification and international experience and may sometime result into irrational pricing for products which may adversely affect our profitability. There is a risk we will not win future orders due to more competitive bids by our competitors. Loss of future contracts to such competitors, or acceptance of less favourable terms than we enjoy under our current contracts, though not quantifiable monetarily, may adversely affect our performance and, to the extent that one or more of our competitors becomes more successful with respect to any key competitive factor, our profitability, business and prospects could be materially and adversely affected.

We have entered into, and will enter into, related party transactions.

As of March 31, 2014, we have entered into several related party transactions. For further details please refer to "*Financial Statements*" on page 148.

We are involved in, and we expect that we will continue to be involved in, a number of related party transactions. There can be no assurance that we will receive favourable terms in our related party transactions.

Our Promoter and promoter group, as at September 30, 2014, holds 53.75% of our equity and may be in a position to influence the result of shareholders' voting.

As of September 30, 2014, 53.75% of the issued and outstanding Equity Shares of our Company are owned by the Promoters and Promoter Group. Consequently the Promoters and Promoter Group are likely to have the ability to exercise significant control over most matters requiring approval by shareholders, including the election and removal of directors and significant corporate transactions. Our Promoter & Promoter Group will be able to influence our major policy decisions. This control could also delay, defer or prevent a change in control of our Company, impede a merger, consolidation, takeover or other business combination involving our Company, or discourage a potential acquirer from obtaining control of our Company even if it is in our best interests. The interests of our controlling shareholders could conflict with the interests of our other shareholders, including the holders of the Equity Shares, and the controlling shareholders could make decisions that adversely affect your investment in the Equity Shares.

Our Promoters have pledged a portion of the Equity Shares in favor of lenders who may exercise their rights under the pledge agreements upon the occurrence of events of default.

As of September 30, 2014, 7.45% of our share capital amounting to 4, 50,000 Equity Shares, held by members of our Promoter & Promoter Group was pledged with financial institutions in connection with loans availed. In the event that such members are unable to repay the loans in a timely manner or in the event of a default under the terms of such loan agreements, the financial institutions may exercise the pledge and take control of the Equity Shares, which will result in a dilution of our Promoter Groups' shareholding in our Company. A sale of Equity Shares by such financial institutions in the open market may also result in the Promoter Group losing control of our Company, affect the price of our Equity Shares and a breach of certain covenants under our financing arrangements.

EXTERNAL RISK FACTORS

Changes in policies of the GoI could adversely impact our results of operations and financial condition.

We have production facilities and business operations which are located in India. Consequently, we, and the market price and liquidity of our shares, may be affected by policy changes in India. For example, the imposition of foreign exchange controls, rising interest rates, increases in taxation or the creation of new regulations could have a detrimental effect on the Indian economy generally and our Company's operations in particular. Political instability or a change in economic liberalization and deregulation policies could seriously harm business and economic conditions in India generally and our business in particular. The government of India has in recent years sought to implement economic reforms. The role of the GoI and the State Governments in the Indian economy as producers, consumers and regulators have remained significant and there can be no assurance that liberalization policy will continue in the future. Any significant change in such liberalization and deregulation policies could adversely affect business and economic conditions in India generally and our results of operations and financial condition in particular.

The Companies Act, 2013 has effected significant changes to the existing Indian company law framework, which may subject us to greater compliance requirements and increase our compliance costs.

A majority of the provisions and rules under the Companies Act, 2013 have recently been notified and have come into effect from the date of their respective notification, resulting in the corresponding provisions of the Companies Act, 1956 ceasing to have effect. The Companies Act, 2013 has brought into effect significant changes to the Indian company law framework, such as in the provisions related to issue of capital (including provisions in relation to issue of securities on a private placement basis), disclosures in offer document, corporate governance norms, accounting policies and audit matters, related party transactions, introduction of a provision allowing the initiation of class action suits in India against companies by shareholders or depositors, a restriction on investment by an Indian company through more than two layers of subsidiary investment companies (subject to certain permitted exceptions), prohibitions on loans to directors, insider trading and restrictions on directors and key managerial personnel from engaging in forward dealing. We may also need to spend, in each financial year, at least 2.0% of our average net profits during the three immediately preceding financial years towards corporate social responsibility activities and disclose our corporate social responsibility policies and activities on our website. As a result of the changes brought about by the Companies Act, 2013 to the provisions relating to accounting policies, going forward, we may also be required to apply a different rate of depreciation.

The Companies Act, 2013 has introduced certain additional requirements which do not have corresponding provisions under the Companies Act, 1956. Accordingly, we may face challenges in interpreting and complying with such requirements due to limited jurisprudence in respect of the relevant provisions. In the event our interpretation of such provisions of the Companies Act, 2013 differs from, or contradicts with, any judicial pronouncements or clarifications issued by the Government in the future, we may face regulatory actions or we may be required to undertake remedial steps. Any increase in our compliance requirements or in our compliance costs may have an adverse effect on our business and results of operations.

Terrorist attacks, civil disturbances, wars, regional and communal conflicts, natural disasters, fuel shortages, epidemics and labour strikes in India and elsewhere may have a material adverse effect on our Company's business and on the market for securities in India.

India has experienced civil and social unrest, terrorist attacks such as the attacks in November 2008 and July 2011 in the city of Mumbai, and other acts of violence. If such tensions occur in places where we operate or in other parts of the country, leading to overall political and economic instability, it could adversely affect our business, future financial performance, cash flows and the market price of our Equity Shares. Southern Asia has also, from time to time, experienced instances of civil unrest, political tensions and hostilities among neighboring countries. Additionally, any of these events could lower confidence in India's economy and create a perception that investments in companies with Indian operations involve a high degree of risk, which could have a material adverse effect on the price of the Equity Shares. Any discontinuation of business or loss of profits due to such extraneous factors may affect our operations. Further, our operations are dependent on our ability to protect our facilities and infrastructure from fire, explosions, floods, typhoons, earthquakes, power failures and other similar events. India has experienced natural disasters such as earthquakes, a tsunami, floods and droughts in the past few years.

In addition, we can give no assurance that the insurance coverage we maintain for such risks will adequately compensate it for all damage and economic losses from natural or man-made catastrophes. The occurrence of a natural disaster of a significant scale could cause interruptions in our operations. The extent and severity of these natural disasters determines our impact on the Indian economy and infrastructure.

Compliance with fresh and changing corporate governance and public disclosure requirements adds uncertainty to our compliance abilities and increases compliance cost.

Changing laws, regulations and standards relating to accounting, corporate governance and public disclosure, SEBI regulations and Indian stock market listing regulations have increased the complexity of our compliance obligations. These new or changed laws, regulations and standards may be subject to varying interpretations. Their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. Ongoing revisions to such governance standards could result in continuing uncertainty regarding compliance matters and higher costs of compliance. Our efforts to comply with evolving laws, regulations and standards in this regard may result in increased general and administrative expenses and cause a diversion of management resources and time. If we fail to comply with new or changed laws, regulations or standards, our reputation and business may be harmed.

Statistical and industry data in this Preliminary Placement Document may be incomplete or unreliable.

Statistical and industry data used throughout this Preliminary Placement Document has been obtained from various government and industry publications. We believe the information contained herein has been obtained from sources that are reliable, but we have not independently verified it and the accuracy and completeness of this information is not guaranteed and its reliability cannot be assured. The market and industry data used from these sources may have been reclassified by us for purposes of presentation. In addition, market and industry data relating to India, its economy or its industries may be produced on different bases from those used in other countries. As a result data from other market sources may not be comparable. The extent to which the market and industry data presented in this Preliminary Placement Document is meaningful will depend upon the reader's familiarity with and understanding of the methodologies used in compiling such data.

Further, this market and industry data has not been prepared or independently verified by us or the Book Running Lead Managers or any of their affiliates or advisors. Such data involves risks, uncertainties and numerous assumptions and is subject to change based on various factors. Accordingly, investment decisions should not be based on such information.

The Competition Act, 2002, by regulating our business and activities, may materially and adversely affect our results of operations and financial condition.

The Indian Government enacted the Competition Act, 2002 for the purpose of preventing practices that could have an adverse effect on competition.

Under the Competition Act, any arrangement, understanding or action, whether formal or informal, which causes or is likely to cause an appreciable adverse effect on competition is void and will be subject to substantial penalties. Any agreement that directly or indirectly determines purchase or sale prices, limit or controls production, or creates market sharing by way of geographical area or number of customers in the market is presumed to have an appreciable adverse effect on competition. It is unclear how the Competition Act will affect industries in India and our business. Consequently, we cannot assure prospective Investors that enforcement under the Competition Act will not have a material adverse effect on our results of operations and financial condition.

A slowdown in economic growth in India and overseas could materially and adversely affect our results of operations and financial condition.

Our performance and the quality and growth of our business are dependent on the health of the global economy and in particular, the Indian economy. There have been periods of slowdown in the economic growth of India and overseas in the recent past. In the past, economic slowdowns have harmed manufacturing industries. Any future slowdown in the Indian or overseas economy could harm our results of operations and financial condition.

Conditions in Indian stock exchanges may affect the price or liquidity of the Equity Shares.

The Indian stock exchanges have, in the past, experienced substantial fluctuations in the prices of their listed securities. The Indian stock exchanges have experienced problems that, if they continue or recur, could affect the market price and liquidity of the securities of Indian companies, including the Equity Shares of our Company. Problems in the past included temporary exchange closures to manage extreme market volatility, broker defaults, settlement delays and strikes by brokers. In addition, the governing bodies of the Indian stock exchanges have from time to time imposed restrictions on the trading of certain securities and limitations on price movements and margin requirements. Furthermore, disputes have occurred from time to time between listed companies, stock exchanges and other regulatory bodies, which in some cases may have had a negative effect on market sentiment.

The trading price of the Equity Shares may be subject to volatility and investors may not be able to sell the Equity Shares at or above the Issue Price.

The trading prices of publicly traded securities may be highly volatile. Factors affecting the trading price of the Equity Shares include:

- variations in our operating results;
- announcements of new products, joint ventures, strategic alliances or agreements by us or by our competitors;
- the financial and operational performance of our joint ventures and its investments in associates;
- increases and decreases in our customer base;
- recruitment or departure of key personnel;
- favourable or unfavourable reports by a section of the media concerning in relation to our business and operations;
- changes in the estimates of our operating results or changes in recommendations by any securities analysts that elect to research and report on the Equity Shares;
- the adoption or modification of regulations, policies, procedures or programs applicable to the business; and

In addition, if the stock markets experience a loss of investor confidence, the trading price of the Equity Shares could decline for reasons unrelated to our business, results of operations or financial condition. The trading price of the Equity Shares might also decline in reaction to events that affect other companies in our industry, even if these events do not directly affect us. Any of these factors, among others, could materially and adversely affect the price of the Equity Shares.

There is no guarantee that the Equity Shares issued pursuant to this Issue will be listed on the Stock Exchanges in a timely manner, or at all.

In accordance with Indian law and regulations and the requirements of the Stock Exchanges, in principle and final approvals for listing and trading of the Equity Shares issued pursuant to this Issue will not be applied for or granted until after the Equity Shares have been issued and allotted. Approval for listing and trading will require all relevant documents authorising the issuing of Equity Shares to be submitted. Accordingly, there could be a failure or delay in listing the Equity Shares on the Stock Exchanges. If there is a failure or a delay in obtaining such approvals, we may not be able to credit the Equity Shares allotted to the investors to their depository participant accounts or assure ownership of such Equity Shares by the investors in any manner promptly after the Closing Date or at all. In any such event, the ownership of the investors over Equity Shares allotted to them and their ability to dispose of any such Equity Shares may be restricted. For further information on issue procedure, see "*Issue Procedure*" beginning on page 111.

An investor will not be able to sell any of the Equity Shares subscribed in this Issue other than across a recognised

Indian stock exchange for a period of 12 months from the date of issue of the Equity Shares.

Pursuant to the SEBI (ICDR) Regulations, for a period of 12 months from the date of the allotment of Equity Shares in the Issue, Eligible QIBs subscribing for Equity Shares in the Issue may only sell their Equity Shares on any recognised stock exchange in India where Equity Shares of our Company are listed, and may not enter into any off-market trading in respect of these Equity Shares. Our Company cannot be certain that these restrictions will not have an impact on the price of Equity Shares.

Investors may be subject to Indian taxes arising out of capital gains on the sale of the Equity Shares.

Under current Indian tax laws and regulations, capital gains arising from the sale of equity shares in an Indian company are generally taxable in India. Any gain realised on the sale of listed Equity Shares on a stock exchange held for more than 12 months will not be subject to capital gains tax in India if Securities Transaction Tax ("**STT**") has been paid on the transaction. STT will be levied and collected by the domestic stock exchange on which the Equity Shares are sold. Any gain realised on the sale of Equity Shares held for more than 12 months to an Indian resident, which are sold other than on a recognised stock exchange and on which no STT has been paid, will be subject to long term capital gains tax in India. Further, any gain realised on the sale of listed Equity Shares held for a period of 12 months or less will be subject to short term capital gains tax in India. Capital gains arising from the sale of the Equity Shares will be exempt from taxation in India in cases where such exemption is provided under a treaty between India and the country of which the seller is resident. Generally, Indian tax treaties do not limit India's ability to impose tax on capital gains. As a result, residents of other countries may be liable for tax on a gain upon the sale of the Equity Shares in India as well as in their own jurisdiction. For further information see "***Taxation***" beginning on page 132.

SEBI operates an index-based market-wide circuit breaker. Any operation of a circuit breaker may adversely affect a shareholder's ability to sell, or the price at which it can sell, the Equity Shares at a particular point in time.

We are subject to an index-based market-wide circuit breaker generally imposed by the SEBI on Indian stock exchanges. This may be triggered by an extremely high degree of volatility in the market activity (among other things). Due to the existence of this circuit breaker, there can be no assurance that shareholders will be able to sell the Equity Shares at their preferred price or at all at any particular point in time. This may have an adverse effect on our operations and business.

Any future issuance of Equity Shares may dilute the shareholding of investors and any future sales of Equity Shares by our major shareholders may adversely affect the trading price of the Equity Shares.

The future issuance of Equity Shares by us, or the disposal of Equity Shares by any of our major shareholders, including by the Promoters, lenders that have received a pledge of our Equity Shares as security and are seeking to enforce such security, or the perception that such issuance or sales may occur, may significantly affect the trading price of the Equity Shares. There is no restriction on our ability to issue Equity Shares or the ability of any of our shareholders to dispose of, pledge or otherwise encumber their Equity Shares, and there can be no assurance that we will not issue Equity Shares or that our shareholders will not dispose of, pledge or otherwise encumber their Equity Shares. Future issuances of Equity Shares may dilute the shareholding of the investors and may adversely affect the trading price of the Equity Shares. Subject to applicable law, such securities may also be issued at prices below the then market price of the Equity Shares.

MARKET PRICE INFORMATION

The Equity Shares are listed and traded on the BSE and NSE. The stock market data presented below is given for the NSE and the BSE separately.

The following tables set forth the reported high, low, the number of Equity Shares traded and the total trading volume on the dates on which such high and low prices were recorded and the average closing prices of the Equity Shares, on the NSE and the BSE during the fiscal years ended March 31, 2014, March 31, 2013 and March 31, 2012.

NSE

Fiscal Year	High (Rs.)(1)	Date of high	Number of Equity Shares traded on date of high	Volume on date of high (Rs. in Lacs)	Low (Rs.)(2)	Date of low	Number of Equity Shares traded on date of low	Volume on date of low (Rs. in Lacs)	Average price for the Fiscal Year* (Rs.)
2014	916.35	March 27, 2014	11,003	100.19	470	September 11, 2013	22,662	113.32	608.71
2013	959	January 2, 2013	389	3.57	590.2	September 6, 2012	226	1.37	724.29
2012	1,593.9	July 4, 2011	1,582	24.32	750	March 28, 2012	449	3.38	1,146.88

Source: www.nseindia.com
** Average of the daily closing price*
(1) High of Intraday Highs. In case the price is the same on 2 dates then the date on which the volume is higher has been considered.
(2) Low of Intraday Lows. In case the price is the same on 2 dates then the date on which the volume is higher has been considered.

BSE

Fiscal Year	High (Rs.)(1)	Date of high	Number of Equity Shares traded on date of high	Volume on date of high (Rs. in Lacs)	Low (Rs.)(2)	Date of low	Number of Equity Shares traded on date of low	Volume on date of low (Rs. in Lacs)	Average price for the Fiscal Year* (Rs.)
2014	952.7	March 28, 2014	1,384	12.57	465	August 27, 2013	100	0.53	599.92
2013	948	January 16, 2013	1,122	10.23	590	September 6, 2012	923	5.55	725.73
2012	1590	July 4, 2011	6,126	92.56	750	March 28, 2012	192	1.45	1,146.79

Source: www.bseindia.com
** Average of the daily closing price*
(1) High of Intraday Highs. In case the price is the same on 2 dates then the date on which the volume is higher has been considered.
(2) Low of Intraday Lows. In case the price is the same on 2 dates then the date on which the volume is higher has been considered.

The following tables set forth the reported high, low, the number of Equity Shares traded and the total trading volume on the dates on which such high and low prices were recorded and the average closing prices of the Equity Shares, on the NSE and the BSE during the last six months:

NSE

Month, Year	High (Rs.)(1)	Date of high	Number of Equity Shares traded on date of high	Volume on date of high (Rs. in Lacs)	Low (Rs.)(2)	Date of Low	Number of Equity Shares traded on date of low	Volume on date of low (Rs. in Lacs)	Average price for the Month* (Rs.)
September -14	2,259.85	September 23, 2014	7,577	169.57	1,710	September 10, 2014	1,728	30.36	1,934.58
August-14	1,864.00	August 19, 2014	3,174	56.705.00	1,571.8	August 14,2014	383	6.247	1,730.96
July-14	1,935.00	July 24, 2014	1,872	35.5755	1,335.2	July 2, 2014	1103	15.5429	1,680.88
June-14	1,574.90	June 17, 2014	10,939	171.7932	1,015	June 3, 2014	11316	123.2537	1,367.69
May-14	9,88.30	May 30, 2014	15,0427	1,354.293	805	May 2, 2014	9	0.0732	884.25
April-14	869.00	April 16, 2014	52	0.4486	803	April 7, 2014	21	0.1716	839.02

Source: www.nseindia.com
** Average of the daily closing price*
(1) High of Intraday Highs. In case the price is the same on 2 dates then the date on which the volume is higher has been considered.
(2) Low of Intraday Lows. In case the price is the same on 2 dates then the date on which the volume is higher has been considered.

BSE

Month, Year	High (Rs.)(1)	Date of high	Number of Equity Shares traded on date of high	Volume on date of high (Rs. in Lacs)	Low (Rs.)(2)	Date of Low	Number of Equity Shares traded on date of low	Volume on date of low (Rs. in Lacs)	Average price for the Month* (Rs.)
September -14	2271.60	September 23, 2014	4,468	99.89	1,714	September 11, 2014	2,067	35.94	1,937.86
August-14	1,851.6	August 7, 2014	4,667	85.77	1,575	August 14, 2014	611	10.18	1,728.02
July-14	1,925	July 23, 2014	1,900	35.96	1,350	July 2, 2014	3440	49.75	1,686.10
June-14	1,566.2	June 17, 2014	9,030	140.84	1,044.8	June 3, 2014	20,812	228.28	1,369.32
May-14	995.05	May 30, 2014	619	6.15	776	May 2, 2014	62	0.50	886.75
April-14	909	April 15, 2014	5,022	42.21	800	April 30, 2014	11	0.09	843.52

Source: www.bseindia.com

** Average of the daily closing price*
(1) High of Intraday Highs. In case the price is the same on 2 dates then the date on which the volume is higher has been considered.
(2) Low of Intraday Lows. In case the price is the same on 2 dates then the date on which the volume is higher has been considered.

The following tables set forth the details of the number of Equity Shares traded and the total trading volume during the last six months and the fiscal years ended March 31, 2014, March 31, 2013 and March 31, 2012 on the NSE and the BSE:

	NSE		BSE	
Period	**Number of Equity Shares Traded**	**Volume (Rs. in Lacs)**	**Number of Equity Shares Traded**	**Volume (Rs. in Lacs)**
Fiscal Year, 2014	453,805	278.70	324,047	2,124.8
Fiscal Year, 2013	119,251	892.70	106,524	784.2
Fiscal Year, 2012	36,0417	4,249.11	344,345	4,019.6
September -14	97,475	1,919.24	75,171	1,467.84
August-14	63,162	1,111.18	53,152	944.0
July-14	178,531	2,863.42	101,513	1,745.5
June-14	113,892	1,541.51	126,181	1,623.5
May-14	181,266	1,638.28	56,290	493.8
April-14	20,742	174.40	9,175	77.2

Source: www.nseindia.com, www.bseindia.com

The following table sets forth the market price on the Stock Exchanges on September 15, 2014, the first working day following the approval of the Board of Directors for the Issue:

Date	**NSE**				**BSE**			
September 15, 2014	**Open**	**High**	**Low**	**Close**	**Open**	**High**	**Low**	**Close**
Price of the Equity Shares (Rs.)	1,840.00	1,898.70	1,800.00	1,879.40	1,874.00	1,900.00	1,800.00	1,875.95
Number of Equity Shares Traded	2,891				1,958			

Source: www.nseindia.com, www.bseindia.com

USE OF PROCEEDS

The gross proceeds from the Issue will be Rs.[●] Lacs. The net proceeds from the Issue after deducting fees, commissions and expenses of approximately Rs. [●] Lacs, will be approximately Rs. [●] Lacs. ("**Net Proceeds**")

Subject to compliance with applicable laws and regulations, our Company intends to use the net proceeds of the Issue primarily for working capital requirements and general corporate purposes and any other purposes as may be permissible under applicable law.

In accordance with the decision of our Company's Board, our Company's management will have the flexibility in deploying the net proceeds received by our Company from the Issue. Pending authorization of the Net Proceeds for the purposes described above, our Company intends to temporarily invest the funds in bank deposits as approved by the Board in accordance with the investment policy.

Our Promoters or Directors are not making any contribution either as part of the Issue or separately in furtherance of the Objects of the Issue.

CAPITALIZATION STATEMENT

Our authorized capital is Rs. 2,500 Lacs divided into 200 Lacs Equity Shares of Rs. 10 each and 5 Lacs Redeemable Cumulative Preference Shares of Rs. 100 each. As of the date of this Preliminary Placement Document, 60,41,443 Equity Shares of Rs. 10 each were paid up.

The following table sets forth our Company's capitalisation and total debt, on consolidated basis as on March 31, 2014, and as adjusted to give effect to the Issue. This table should be read with the section *"Management's discussion and analysis of financial condition and results of operations as per consolidated financial statements"* and other financial information contained in the section "*Financial Statements*" beginning on page 55 and 149 respectively.

	As of March 31, 2014 Pre-Issue (audited) *(Rs. In Lacs)*	**As Adjusted for the Issue**(1) *(Rs. In Lacs)*
(A) Share holders' funds		
Equity share capital	554	[●]
Reserves and Surplus	13,761	[●](2)
Money received against share warrants	1,000	
Total Share holders' funds (A)	**15,315**	**[●]**
(B) Loan Funds		
Secured Loans*	56,177	56,177
Unsecured Loans#	2,975	2,975
Total Loan Funds (B)	**59,152**	**59,152**
Total Capitalisation (A+B)	**74,467**	**[●]**

(1) *As adjusted to show the number of Equity Shares issued in the Issue.*

(2) *Reserves and surplus is net of adjustments for estimated issue expenses of approximately Rs. [●] Lacs.*

*Secured loans represents term loans (included in Long-term borrowings and current maturities of long-term borrowings as per classification in the Audited Standalone Financial Statements for the year ended 31 March 2014) and cash credit from banks which are repayable on demand (included in short term borrowings as per classification in the Audited Standalone Financial Statements for the year ended 31 March 2014)

#Unsecured loans represents deferred payment liability in respect of sales tax deferral loan, deposit from shareholders and others (included in Long-term borrowings and current maturities of long-term borrowings as per classification in the Audited Standalone Financial Statements for the year ended 31 March 2014), vendors bills discounting and foreign currency buyers credit (included in short-term borrowings as per classification in the Audited Standalone Financial Statements for the year ended 31 March 2014)

CAPITAL STRUCTURE

The Equity Share capital of our Company, as on the date of this Preliminary Placement Document is set forth below:

No.	Particulars	Amount (in Rs. Lacs)	Aggregate nominal value
A.	**Authorised Share Capital**		
	2,00,00,000 Equity Shares of Rs. 10 each	2,000.00	
	5,00,000 Redeemable Cumulative Preference Shares of Rs. 100 each	500.00	**2,500.00**
B.	**Issued Share Capital before the Issue**		
	60,41,443 Equity Shares of Rs. 10 each	604.14	**604.14**
C.	**Subscribed and Paid-Up Share Capital before the Issue**		
	60,41,443 Equity Shares of Rs. 10 each	604.14	**604.14**
D.	**Present Issue in Terms of this Preliminary Placement Document**		
	[●] Equity Shares of Rs. 10 each(1)		[●]
E.	**Subscribed and Paid-Up Share Capital after the Issue**		
	[●] Equity Shares of Rs. 10 each	[●]	
F.	**Securities Premium Account**		
	Before the Issue		13,175.00
	After the Issue (2)		**[●]**

Note:

1. *The Issue has been authorised by the Board of Directors on September 8, 2014, by the duly authorized Finance Committee of the board of directors pursuant to a resolution dated September 13, 2014 and the shareholders pursuant to their resolution dated October 11, 2014.*

2. *The Securities Premium Account is calculated on the basis of gross proceeds from the Issue.*

History of Equity Share Capital of our Company

The history of the equity share capital of our Company is provided in the following table:

Date of Allotment	No. of Equity Shares allotted	Face value (Rs.)	Issue Price (Rs.)	Form of consideration	Cumulative number of Equity Shares	Cumulative Paid -up Capital (Rs.)
December 28, 1973	7	10	10	Cash	7	70
April 10, 1974	95,993	10	10	Cash	96,000	9,60,000
July 15, 1974	1,44,000	10	10	Cash	2,40,000	24,00,000
October 31, 1981	2,00,000	10	10	Cash	4,40,000	44,00,000
March 30, 1984	4,40,000	10	10	Cash	8,80,000	88,00,000
March 5, 1987	1,42,968	10	10	Cash	10,22,968	1,02,29,680
June 30, 1987	95,312	10	10	Cash	11,18,280	1,11,82,800
May 19, 1992	9,78,500	10	10	Cash	20,96,780	2,09,67,800
April 26, 1994	10,17,159	10	10	Cash	31,13,939	3,11,39,390
August 4, 1994	31,231	10	20	Cash	31,45,170	3,14,51,700
July 22, 1995	10,48,390	10	NIL	Bonus Issue(1:3)	41,93,560	4,19,35,600

Date of Allotment	No. of Equity Shares allotted	Face value (Rs.)	Issue Price (Rs.)	Form of consideration	Cumulative number of Equity Shares	Cumulative Paid -up Capital (Rs.)
March 25, 2008	6,17,143	10	NIL	Other than Cash[1]	48,10,703	4,81,07,030
August 8, 2008	6,04,000	10	1,234	Cash	54,14,703	5,41,47,030
March 26, 2014	1,25,347	10	797.78	Cash	55,40,050	5,54,00,500
June 3, 2014	2,17,269	10	797.78	Cash	57,57,319	5,75,73,190
July 13, 2014	2,00,557[#]	10	797.78	Cash	59,57,876	5,95,78,760
July 19, 2014	83,567[#]	10	797.78	Cash	60,41,443	6,04,14,430

1. *Pursuant to Scheme of amalgamation of JKM Daerim Automotive Limited with Dynamatic Technologies Limited and their respective shareholders, approved by the Karnataka High Court vide order dated January 4, 2008.*

 # We are yet to receive the listing approval from BSE, however we have received the listing approval from NSE on September 12, 2014.

In the last one year preceding the date of this Preliminary Placement Document, our Company has not made any allotments for consideration other than cash.

DIVIDEND POLICY

We generally declare and pay dividends in the fiscal year following the year as to which they relate. Under the Companies Act, an Indian company may pay dividends only upon a recommendation by its board of directors and approval by a majority of its shareholders at the annual general meeting. Shareholders may decrease, but not increase, the amount of dividend recommended by the board of directors. Under the Companies Act, a company may pay dividends only out of its profits in the year in which the dividend is declared or out of the undistributed profits or reserves of prior fiscal years or out of both.

The following table sets forth details regarding the dividend paid by our Company on the Equity shares for Fiscal Years 2014, 2013 and 2012:

Particulars	**Fiscal Year 2014**	**Fiscal Year 2013**	**Fiscal Year 2012**
Face Value of Equity Shares (Rs. per share)	10.00	10.00	10.00
Interim Dividend on Equity Shares (Rs. per share)	-	-	6
Final Dividend on Equity Shares (Rs. per share)	-	-	2
Total Dividend on Equity Shares (Rs. in Lacs)	-	-	433
Dividend Distribution Tax (Rs. in Lacs)	-	-	72
Dividend Payout Ratio (%)**	-	-	17.58%

*** Dividend per share divided by earning per share*

The Board of our Company has not recommended any dividend for the Fiscal Year 2014.

Amount paid as dividends in the past are not reflective of any future dividends, which are subject to the recommendation of the Board based on various factors and the approval of our Company's shareholders. Investors are cautioned not to rely on past dividends as an indication of our Company's future performance or for an investment in the Equity Shares. The form, frequency and amount of future dividends will depend on our revenues, cash flows, financial condition (including capital position) and other factors and shall be at the discretion of our Board and subject to the approval of our shareholders.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS AS PER FINANCIAL STATEMENTS

*The following discussion and analysis of our financial condition and results of operations is based upon, and should be read in conjunction with, our audited consolidated financial statements for the Fiscal Years 2012, 2013 and 2014, including the schedules, annexures and notes thereto included in the section "**Financial Information**" on page 148. Our audited consolidated financial statements are prepared in accordance with Indian GAAP. Indian GAAP differs in certain material respects from IFRS and U.S. GAAP.*

Our fiscal year ends on March 31 of each year. Accordingly, all references to a particular fiscal year are to the twelve month period ended March 31 of that year.

*Some of the information contained in the following discussion, including information with respect to our Company's plans and strategies, contain forward-looking statements that involve risks and uncertainties. You should read the section "**Forward-Looking Statements**" beginning on page 111 for a discussion of the risks and uncertainties related to those statements and also the section "**Risk Factors**" beginning on page 30 for a discussion of certain factors that may affect our Company's business, results of operations or financial condition. Our actual results may differ materially from those expressed in or implied by these forward-looking statements.*

Overview

We are a manufacturer of high precision engineering products catering to three business segments viz (i) Hydraulics (ii) Automotive & Metallurgy and (iii) Aerospace and Defence having units at India, Germany and United Kingdom. In our non-primary business we are involved in wind power generation at Tamil Nadu having an aggregate capacity of 12 MW of power generation. Our Company was incorporated at Bangalore, India, on March 7, 1973, as Dynamatic Hydraulics Limited under the Companies Act, 1956. The name of our Company was changed from Dynamatic Hydraulics Limited to Dynamtic Technologies Limited on December 14, 1992. The Equity Shares of our Company are listed on BSE and NSE.

With over four decades of manufacturing experience, we have evolved to become an integrated multiproduct manufacturing company. We are equipped to deliver from concept and design to manufacture of products and delivery of services in each of the business segments from our facilities at Bangalore, Chennai and Nashik in India and Schwarzenberg, in Germany and Bristol and Swindon, in United Kingdom. Our Company has evolved from being a manufacturer of hydraulic gear pumps to precision engineering products manufacturer.

Further, we have a research and development facility located in Bangalore, India and is engaged in design validation and optimization, analysis and prototyping and testing and analysis of our mechanical products. This facility caters primarily to in-house requirements of our Company in material science, new product design and development, production optimization, prototyping and test validation. This enables our Company to provide end-to-end solutions built uniquely around our customer's needs. This division aims at conferring competitive advantages through optimal solutions, shorter design cycles and higher design quality.

Hydraulics Segment – Under this vertical our Company develops and manufactures various hydraulic pumps, motor and valves. In addition to hydraulic gear pumps, we manufacture a wide range of hydraulic valves and custom tailored hydraulic solutions extending from simple hydraulic pumping units to sophisticated marine power packs. Our products are used in agricultural tractors, earth-moving equipments, material handling equipments, mining and drilling equipments and road paving equipments. Our products focused on hydraulics segments are manufacture in the facilities located at Bangalore, India and Swindon, UK

Automotive & Metallurgy Segment – Under this vertical, we manufacture high quality ferrous and non-ferrous critical engine and transmission components for the automobile industry. Some of these products includes turbocharger parts, water pumps, oil pumps, inlet manifolds, rocker arms, exhaust manifold case assemblies fork shifts, compressor housings, delivery pipes, rocker covers, engine brackets and various engine and transmission parts. Additionally, in this segment we also offer engine parts, transmission parts, chasis parts. Our automotive and metallurgy focused products are manufactured at our facilities located at Chennai, India and Schwarzenberg, Germany.

Aerospace & Defence Segment – Under this vertical, we manufacture airframe structures, precision aerospace components and security products and technologies. We also have complex 5 axis machining capabilities for machining operation in the products focused on this segment. The aerospace and defence focused business includes manufacture of products including wing and rear fuselage, wing flaps and air frame structures and carry out of process of machining, finishing, assembly and inspection operations . The aerospace & defence products are manufactured at our facilities situated at Bangalore and Nashik, in India and at Bristol and Swindon, United Kingdom.

The table below provides information regarding Total Revenue from Operations (net of excise duty) relating to business segments during Fiscals 2012, 2013 and 2014 as per the Consolidated Financial Statements Segment information:

(Rs. in Lacs)

Segments	Fiscal 2012		Fiscal 2013		Fiscal 2014	
	Revenue (net of excise duty)	% of Total Revenue	Revenue (net of excise duty)	% of Total Revenue	Revenue (net of excise duty)	% of Total Revenue
Hydraulic Precision Engineering	28,463	18.8%	28,674	19.7%	30,953	19.5%
Automotive Components	108,257	71.8%	99,184	68.3%	105,360	66.4%
Aerospace	14,101	9.4%	17,247	11.9%	22,333	14.1%
Research Farm	-	-	108	0.1%	108	0.1%
Others	32	0.02%	-	-	-	-
Revenue from operations	150,853	100.0%	145,213	100.0%	158,754	100.0%

Our Company is committed to providing quality products to our customers and in this relation have also received various quality accreditations including ISO 9001:2008 Quality Management System, ISO 14001: 2004 Environmental Management System, Environmental Management System Standard BS EN ISO 14001: 2004 and Occupational Health & Safety Management System OHSAS 18000 certifications, Quality Management System ISO/TS 16949:2009, Environmental Management System Standard ISO 14001:2004, Energy Management Standard ISO 50001:2011, ISO 9001: 2000 certificate, Quality Management System AS9100C:2009-01; EN9100:2009; JIS Q9100:2009, AS 9100 "C" annual certification, BSI Quality Management System AS9100 REV C AND ISO 9001:2008 which complies with requirements AS9100 REV C/BS EN 9100:2009, ISO 9001:2008 etc.

Factors affecting our Results of operations

Our level of indebtedness

The level of indebtedness may affect us in several ways, including:

- us being required to dedicate a substantial portion of the cash flow from operations for payments towards loan repayments, thereby reducing the availability of cash flow to fund working capital, research and development, capital expenditure and other general corporate purposes;
- our ability to generate sufficient cash for principal and interest payments and other amounts due in respect of these borrowings;
- imposing constraints on our growth plans;
- limiting our ability to pay dividends; and
- risking future downgrades of our Company's credit rating by international and domestic rating agencies, thereby adversely impacting the interest rates and commercial terms of all future financing.

Although we aim to deleverage our balance sheet, such efforts may be adversely impacted by, among other things, adverse conditions in the industry in which we operate; foreign currency fluctuations and failure of our growth and expansion plans. Any of the foregoing could have a material adverse effect on our business, results of operations and financial condition.

Economic conditions and Policy Changes in India and overseas

The change in Indian as well as Global economic conditions will adversely affect demand of our products. Further, we have manufacturing facilties in India, UK and Germany. Any adverse changes in the local laws or political instability in any of these countries may material affect our business operations.

Demand of our products

Our revenues are dependent on the growing demand of our products catering to various focused business segment of (i) Hydraulics (ii) Automotive & Metallurgy and (iii) Aerospace & Defence. Any slowdown in any of these business segment may adversely affect demand which will in turn affect the results of operations of our Company.

Competition

We operate in an intensely competitive business environment. We compete with Indian and global players who manufacture similar parts and such competition may affect the growth and pricing of our product.

Cost of raw materials

We are subject to fluctuations in costs of raw materials. Our ability to pass on increases in the purchase price of raw materials may be limited in some of our contracts with limited or no price escalation provisions. Unanticipated increases in the price of raw materials, fuel costs, labour or other inputs not taken into account in our bid and delays in performing parts of the contracts, can have compounding effect by increasing the costs of performing other parts of the contract. These variations may materially and adversely affect our results of operations and financial condition.

Currency fluctuations

Some of our revenue and expenses are in foreign currencies. As we continue to expand our international operations, the contribution of foreign currencies to our revenue and expenses may increase, and any fluctuation in the Indian Rupees against any of these foreign currencies could adversely affect our profitability and results of operation. In addition, we have provided guarantees on behalf of some of our international subsidiaries, which are denominated in foreign currencies. Any adverse fluctuation of Indian Rupees against such currencies may increase our contingent liability, and any consequent invoking of the guarantees could adversely affect our results of operations and financial condition.

Our ability to adhere to quality standards and schedules prescribed by our customers

We are required to adhere to contractual quality specifications and time schedules prescribed by our customers. Further, we also require our manufacturing facilities and products to be pre-approved and/or accredited by various agencies before placing orders for our products.

We cannot assure you that we will be able to comply with prescribed specifications of quality and schedules. If we fail to adhere to the aforesaid requirements or changes thereto in a timely manner, or at all, operations and/or profitability could be adversely affected. This can also lead to adverse effect on our relationship or pre-qualified status with certain of our key customers.

Significant accounting policies

a. Basis of accounting and preparation of consolidated financial statements

The consolidated financial statements of Dynamatic Technologies Limited and subsidiaries and an associate (herein referred to 'the Group') 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 the assets revalued. GAAP comprises mandatory accounting standards as specified in the Companies (Accounting Standards) Rules, 2006, ('the Rules'), Companies Act, 2013, to the extent applicable, and the relevant provisions of the Act and guidelines issued by Securities and Exchange Board of India to the extent applicable. The accounting policies have been consistently applied by our Company. The consolidated financial statements are presented in Indian rupees rounded off to the nearest lacs.

b. Principles of consolidation

The consolidated financial statements include the results of the following subsidiaries:

Sl. no.	Subsidiaries	Subsidiary/ Step Subsidiary/ Associate	Country of incorporation	Effective group shareholding% as at 31 March 2014
1	JKM Erla Automotive Limited (JEAL)	Subsidiary	India	99.99
2	JKM Research Farm limited (JRFL)	Subsidiary	India	99.99
3	JKM Global Pte Limited (JGPL)	Subsidiary	Singapore	100
4	JKM Ferrotech Limited (JFTL)	Step Subsidiary	India	99.99
5	Dynamatic Limited (DL, UK)	Step Subsidiary	United Kingdom	100
6	Yew Tree Investments Limited (YTIL)	Step Subsidiary	United Kingdom	100
7	JKM Erla Holdings GmbH (JEHG)	Step Subsidiary	Germany	100
8	EisenwerkErla GmbH (EEG)	Step Subsidiary	Germany	100
9	Harasfera Design Private Limited (HDPL)	Associate	India	50

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 Group and its share in the post-acquisition increase/decrease in the reserves of the consolidated entities.

The excess/ deficit of cost to the Group 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 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 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. 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

Tangible fixed assets are stated at the cost (or revalued amounts, as the case may be) of acquisition or construction, less accumulated depreciation. All costs incurred in bringing the assets to its working condition for intended use have been capitalised.

The cost of an item of tangible fixed asset comprises its purchase price, including import duties and other non-refundable taxes or levies and any directly attributable cost of bringing the asset to its working condition for its intended use; any trade discounts and rebates are deducted in arriving at the purchase price.

The Group had revalued certain land, building, plant and machineries and electrical installations 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. An increase in net book value arising on revaluation of fixed assets is credited directly to owner's interests under the heading of revaluation reserves and is regarded as not available for distribution. On disposal of a previously revalued item of fixed asset, the difference between net disposal proceeds and the net book value is charged or credited to statement of profit and loss except that, to the extent such a loss is related to an increase which was previously recorded as a credit to revaluation reserve and which has not been subsequently reversed or utilised, it is charged directly to that account. The amount standing in revaluation reserve following the retirement or disposal of an asset which relates to that asset is transferred to Statement of profit and loss.

Borrowing costs directly attributable to the acquisition/ construction of the qualifying asset are capitalized as part of the cost of that asset. Other borrowing costs are recognized as an expense in the statement of profit and loss in the period in which they are incurred.

Exchange differences arising in respect of translation/settlement of long term foreign currency borrowings attributable to the acquisition of a depreciable asset are also included in the cost of the asset.

Tangible fixed assets under construction are disclosed as 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:

Class of assets	**Rate per annum**
Data processing equipment	25%
Furniture and fixtures	10%
Office equipment	-
-Mobile phones	50%
-Others	20%
Plant and machinery	4.75% - 10.34%

Freehold land is not depreciated. Assets individually costing Rs. 5,000 or less are fully depreciated in the year of purchase.

Depreciation is provided on a pro-rata basis for all assets purchased or sold during the year.

e. Intangibles and amortization

(i) Acquired intangible assets

Intangible assets that are acquired by the Group are measured initially at cost. After initial recognition, an intangible asset is carried at its cost less any accumulated amortization and any accumulated impairment loss.

Subsequent expenditure is capitalized only when it increases the future economic benefits from the specific asset to which it relates.

(ii) Internally generated intangible assets

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in statement of profit and loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products or processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use the asset. The expenditure capitalized includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and directly attributable borrowing costs (in the same manner as in the case of tangible fixed assets). Other development expenditure is recognized in the statement of profit and loss as incurred.

Intangible assets are amortized in the statement of profit and loss over their estimated useful lives, from the date that they are available for use based on the expected pattern of consumption of economic benefits of the asset. Accordingly, at present, these are being amortized on straight line basis. In accordance with the applicable Accounting Standard, the Group follows a rebuttable presumption that the useful life of an intangible asset will not exceed ten years from the date when the asset is available for use. However, if there is persuasive evidence that the useful life of an intangible asset is longer than ten years, it is amortized over the best estimate of its useful life. Such intangible assets and intangible assets that are not yet available for use are tested annually for impairment.

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	10 years
Non-compete fees	10 years

f. Inventories

(i) Inventories are carried at the lower of cost and net realisable value.

(ii) Cost of inventories comprises purchase price and all incidental expenses incurred in bringing the inventory to its present location and condition. The method of determination of cost is as follows:
- Raw materials and components – on a first in first out method
- Stores and spares – on a first in first out method
- Work-in-progress – includes costs of conversion
- Finished goods – includes costs of conversion
- Goods in transit – at purchase cost

(iii) Fixed production overheads are allocated on the basis of normal capacity of production facilities.

(iv) Inventories are valued at lower of cost or net realizable value. The comparison of cost and net realisable value is made on an item-by-item basis.

(v) The net realisable value of work-in-progress is determined with reference to the net realisable value of related finished goods. Raw materials and other supplies held for use in production of inventories are not written down below cost except in cases where material prices have declined, and it is estimated that the cost of the finished products will exceed their net realisable value.

(vi) The provision for inventory obsolescence is assessed on a quarterly basis and is provided as considered necessary.

g. Employee benefits

Short-term employee benefits

Employee benefits payable wholly within twelve months of receiving employee services are classified as short-term employee benefits. These benefits include salaries and wages, bonus and ex-gratia. The undiscounted amount of short-term employee benefits to be paid in exchange for employee services is recognized as an expense as the related service is rendered by employees.

Post-employment benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays specified contributions to a separate entity and has no obligation to pay any further amounts. The Group makes specified monthly contributions towards employee provident fund to Government administered provident fund scheme and social security schemes in certain overseas subsidiaries which is a defined contribution plan. The Group's contribution is recognized as an expense in the statement of profit and loss during the period in which the employee renders the related service.

Defined benefit scheme

Gratuity and compensated absences 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 Group's gratuity scheme is administered by Life Insurance Corporation of India. Actuarial gain/ (losses) are charged to the statement of profit and loss.

Compensated absences

The employees of our Company are entitled to compensated absences which are both accumulating and non-accumulating in nature. The expected cost of accumulating compensated absences is determined by actuarial valuation based on the additional amount expected to be paid as a result of the unused entitlement that has accumulated at the Balance Sheet date. Expense on non-cumulating compensated absences is recognized in the period in which the absences occur.

h. Revenue recognition

Revenue from sale of products is recognized when the risks and rewards of ownership are transferred to 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 long-term contracts (contract revenue) is recognized on the percentage of completion method. Percentage of completion method is applied by calculating the proportion that the actual costs bear to the estimated total costs of the contract. The estimates of the contract revenue and costs are reviewed periodically by the Management and any effect of change in estimate is recognized in the period such changes are determined. Liquidated damages/ penalties are provided for wherever there is a delayed delivery attributable to the Group. Provision for foreseeable losses is made in the year in which such losses are foreseen.

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.

Export benefits are recognized in the statement of profit and loss account when the right to receive credit as per the terms of the entitlement is established in respect of exports made.

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 Group is Indian Rupee. The local currencies of the non-integral subsidiaries are different from the reporting currency of the Group.

The Group is exposed to currency fluctuations on foreign currency transactions. Transactions in foreign currency are recognized at the rate of exchange prevailing on the date of the transaction. Exchange difference arising on foreign exchange transactions settled during the year is recognized in the statement of profit and loss for the year.

All monetary assets and liabilities denominated in foreign currency are restated at the rates existing at the year end and the exchange gains/losses arising from the restatement is recognized in the statement of profit and loss, except exchange differences on long term foreign currency monetary items that are related to acquisition of depreciable assets are adjusted in the carrying amount of the related fixed assets and exchange differences arising on other long-term foreign currency monetary items are accumulated in 'Foreign Currency Monetary Item Translation Difference Account' (FCMITDA), and are amortized over the balance period of the relevant foreign currency item.

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 nonmonetary are translated using the year-end rates
• Share capital and opening reserves and surplus are carried at historical cost
• Revenue and expenses 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. Derivative instruments and Hedge accounting

The Group is exposed to foreign currency fluctuations on foreign currency assets, liabilities, firm commitments and highly probable forecasted transactions denominated in foreign currency. The Group limits the effects of foreign exchange rate fluctuations by following its risk management policies. In accordance with its risk management policies and procedures, the Group uses derivative instruments such as foreign currency forward contracts, options and currency swaps to hedge its risks associated with foreign currency fluctuations. The Group enters into derivative financial instruments, where the counterparty is a bank.

Premium or discount on foreign exchange forward contracts taken to hedge foreign currency risk of an existing asset / liability is recognised in the statement of profit and loss over the period of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss of the reporting period in which the exchange rates change.

The Group has applied the principles of AS 30 'Financial Instruments: Recognition and Measurement', to the extent that the application of the principles does 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 "hedge reserve" to the extent considered 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 statement of profit and loss.

It is the policy of the Group to enter into derivative contracts to hedge the risk of foreign exchange rate fluctuation and interest rate risks related to the loan liabilities. The derivative arrangements are coterminous with the loan agreement and it is the intention of the Group not to foreclose such arrangements during the tenure of the loan. Accordingly the Group designates and applies cash flow hedge accounting on such types of arrangements.

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 "hedge reserve" is retained until the forecasted transaction occurs subsequent to which the same is adjusted against the related transaction in statement of profit and loss. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in shareholder's fund is transferred to statement of profit and loss in the same period.

The fair value of derivative instruments is determined based on observable market inputs and estimates including currency spot and forward rates, yield curves and currency volatility.

k. Warranties

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

l. 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. However, that part of long term investments which is expected to be realized within 12 months after the reporting date is also presented under 'current assets' as "current portion of long term investments" in consonance with the current–non-current classification scheme of revised Schedule VI.

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.

m. Provisions and contingencies

The Group 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.

n. Impairment of assets

The Group 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 Group 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 statement of profit and loss. 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.

o. Goodwill

Any excess of the cost to the parent of its investment in a subsidiary over the parent's portion of equity of the subsidiary, at the date on which investment in the subsidiary is made, is recorded as goodwill arising on consolidation.

Goodwill arising on consolidation/acquisition of assets is not amortised. It is tested for impairment on a periodic basis and written off, if found impaired.

p. 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 Group did not have any potentially dilutive equity shares during the year.

q. Leases

Assets acquired under leases other than finance leases are classified as operating leases. The total lease rentals (including scheduled rental increases) in respect of an asset taken on operating lease are charged to the statement of profit and loss on a straight line basis over the lease term unless another systematic basis is more representative of the time pattern of the benefit.

r. 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.

Minimum Alternate Tax ('MAT') paid in accordance with the laws, which gives rise to future economic benefits in the form of tax credit against future income tax liability, is recognized as an asset in the balance sheet if there is convincing evidence that our Company will pay normal tax in near future.

The Group 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.

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 operating, investing and financing activities of the Group are segregated.

Summary of Profit and Loss data for the years ended March 31, 2012, March 31, 2013 and March 31, 2014

(Rs. in Lacs)	**FY 2014**	**% to revenue from operations**	**FY2013**	**% to revenue from operations**	**FY2012**	**% to revenue from operations**
Sale of products (Gross)	159,350	100.4%	147,539	101.6%	153,204	101.6%
Less: Excise Duty	(5,105)	(3.2%)	(5,581)	(3.8%)	(4,458)	(3.0%)
Contract revenue	2,946	1.9%	1,759	1.2%	969	0.6%
Other operating revenues	1,563	1.0%	1,496	1.0%	1,138	0.8%
Revenue from operations	**158,754**	**100.0%**	**145,213**	**100.0%**	**150,853**	**100.0%**
Segment revenue						
Hydraulic Precision Engineering	30,953	19.5%	28,674	19.7%	28,463	18.9%
Automotive Components	105,360	66.4%	99,184	68.3%	108,257	71.8%
Aerospace	22,333	14.1%	17,247	11.9%	14,101	9.4%
Others					32	0.0%
Research Farm	108	0.07%	108	0.1%		
Other income	**1,536**	**1.0%**	**545**	**0.4%**	**997**	**0.7%**
Total revenue	**160,290**	**101.0%**	**145,758**	**100.4%**	**151,850**	**100.7%**
Cost of material consumed (including Changes in inventories of finished goods and work in progress)	89,118	56.1%	84,134	57.9%	92,462	61.3%
Employee benefits	22,156	14.0%	18,914	13.0%	18,020	11.9%
Other Expenses	31,187	19.6%	28,615	19.7%	26,187	17.4%
Total Expenses	142,461	89.7%	131,663	90.7%	136,669	90.6%
Depreciation and amortization	5,126	3.2%	4,638	3.2%	4,340	2.9%
Finance costs	9,973	6.3%	8,227	5.7%	7,145	4.7%
Exceptional items	(150)	(0.1%)	-	0%	(175)	(0.1%)
PBT	2,580	1.6%	1,230	0.8%	3,521	2.3%
PAT	1,377	0.9%	(1,191)	(0.8%)	2,464	1.6%

Components of our Revenue and Expenditure

Revenue from Operations

Our Revenue from Operations comprises of revenue from sales of products less excise duty, contract revenue and Other Operating revenue. Other Operating revenue comprise of scrap sale and export incentives. The sale of products are primarily derived from the sale of products to the various business segments including (i) Hydraulics and Precision Engineering, (ii) Aerospace and (iii) Automotive Components.

Other Income

Our Other Income mainly comprises of interest income received by our Company, provision no longer required to be written back, profit on sale of fixed assets (net) and miscellaneous income.

Cost of materials and components consumed (including *Changes in inventories of finished goods and work in progress)*

Our Cost of material and components consumed comprises of raw materials and packing material consumed changes in raw material inventories and the changes in inventories of finished goods and work in progress includes movement in opening stock and closing stock of finished goods and work in progress

Employee benefits

Our Employee benefits primarily comprises of costs incurred on salaries, wages and bonus, contribution to provident fund & other funds and workmen and staff welfare expenses

Other Expenses

Our Other expenses mainly comprises of cost on consumption of stores, loose tools and spare parts, subcontractor charges, power and fuel, rent paid on leased properties, repairs and maintenance cost on buildings, plant and machinery, legal and professional charges paid, foreign exchange loss (net), Insurance cost, sales promotion and advertisement expenses and expenses incurred on outward freights.

Finance Costs

Our Finance costs mainly comprise of interest paid on funds borrowed from the lenders.

Comparison between FY 2013 and FY 2012

Revenue from Operations

Our Consolidated Revenue from Operations reduced marginally from Rs. 150,853 Lacs in FY 2012 to Rs.145,213 Lacs in FY2013 showing a decline of 3.7% over FY2012 primarily resulting from a fall in revenue from our automotive component business segment which declined by 7.8% to Rs.99,184 Lacs in FY 2013 from Rs. 107,616 Lacs in FY2012, due to slowdown in automobile sector. For FY 2013, out of the total revenue from operations, the Hydraulics and Precision Engineering - segment contributed Rs.28,674 Lacs compared to Rs. 28,463 Lacs in FY 2012 showing a marginal growth of 0.7% and the Aerospace business segment grew by 22.3% to Rs.17,247 Lacs in FY 2013 from Rs.14,101 Lacs in FY 2012 . Out of the total revenue from operations the contribution of Hydraulics and Precision Engineering segment, Automotive Component segment and the Aerospace segment for FY 2013 was 19.7%, 68.3% and 11.9% are respectively compared to 18.9%, 71.3% and 9.3% respectively for FY2012.

Cost of material and components consumed (including *Changes in inventories of finished goods and work in progress)*

Our Cost of material and components consumed reduced from Rs. 92,462 Lacs in FY 2012 to Rs. 84,134 Lacs in FY2013 showing a fall of 9.0% over FY 2012, mainly on account of lower sales and reduction in raw material prices on account of increased domestic sourcing of some of our raw materials. The Cost of material and components consumed as a percentage of Revenue from Operations reduced from 61.3% in FY2012 to 57.9% in FY 2013 on account of increased domestic sourcing of some of our raw materials and strategic move to exit from some of the low margin business.

Employee benefits

Our Employee benefits expenses increased from Rs. 18,020 Lacs in FY 2012 to Rs.18,914 Lacs in FY 2013 showing an increase of 5.0% over FY 2012, mainly on account of increase in work force to 2,822 employees in FY 2013 from 2,205 employees in FY 2012. The Employee Benefit expenses as a percentage of Revenue from Operations has also increased from 11.9% in FY 2012 to 13.0% in FY 2013 on account of decline in Revenue from Operations.

Other expenses

Other expenses increased from Rs. 26,187 Lacs in FY 2012 to Rs. 28,615 Lacs in FY 2013 showing an increase of 9.3% mainly on account of higher foreign exchanges losses due to volatile currency market, higher power and fuel charges and higher subcontractor charges. Consequently, other expenses as a percentage of Revenue from Operations have increased from 17.4% in FY 2012 to 19.7% in FY 2013.

Finance Cost

Despite of lower consolidated borrowing as on March 31, 2013 compared to consolidated borrowing on March 31, 2012 Finance cost has increased from Rs.7,145 Lacs in FY 2012 to Rs.8,227 Lacs in FY 2013 showing an increase of 15.1% mainly on account of higher interest rates charged by some of the lenders of our Company primarily resulting from credit rating downgrade.

Depreciation and amortization Expenses ("Depreciation Expenses")

Depreciation Expenses increased from Rs.4,340 Lacs in FY 2012 to Rs.4,638 Lacs in FY 2013 showing an increase of 6.9% mainly on account of addition of plant and machinery at foundry facility in Chennai and creation of intangible assets in FY 2013. The Total fixed asset as on March 31, 2013 was Rs. 66,921 Lacs compared to total Fixed asset as on March 31, 2012 of Rs.66,264 Lacs.

Profit Before Tax ("PBT")

PBT decreased from Rs.3,521 Lacs in FY 2012 to Rs.1,230 Lacs in FY 2013 mainly on account of lower sales, higher employee cost, higher other expenses and higher interest paid for FY 2013. PBT as a percentage of Revenue from Operations decreased to 0.8% in FY 2013 from 2.3% in FY2012.

Profit After Tax ("PAT")

As a resultant of the above factors and on account of higher Deferred tax charges on account of reversal of deferred tax asset created earlier, there was a Loss after Tax of Rs.(1,191) Lacs in FY2013 compared to a Profit after Tax of Rs. 2,464 Lacs in FY 2012.

Comparison between FY2014 and FY2013

Revenue from Operations

Our Revenue from Operations increased from Rs.145,213 Lacs in FY 2013 to Rs.158,754 Lacs in FY 2014 showing an increase of 9.3% over FY 2013 mainly on account of improved performance in Aerospace business segment and Hydraulics & Precession Engineering business segment. The Hydraulics & Precision engineering business segment contributed Rs.30,953 Lacs as compared to Rs.28,674 Lacs in FY2013, showing a growth of 7.9% over FY2013. Automotive Component business segment grew by 6.2% to Rs.1,05,360 Lacs in FY2014 from Rs. 99,184 Lacs in FY2013. Amongst the business segments, Aerospace business segment grew the highest by 29.5% to Rs.22,333 Lacs in FY2014 from Rs.17,247 Lacs in FY2013. The contribution of Hydraulics & Precision Engineering, Automotive and Aerospace business segment to the total Revenue from Operations for FY 2014 was 19.5%, 66.4% and 14.1% respectively compared to 19.7%, 68.3% and 11.9% in FY2013 respectively.

Cost of material consumed (including changes in inventories of finished goods and work in progress*)*

Our Cost of material consumed increased from Rs. 84,134 Lacs in FY2013 to Rs. 89,118 Lacs in FY2014 showing an increase of 5.9% over FY2013, mostly on account of higher consumption of raw materials in relation to increased sales. The Cost of material consumed as a percentage of total Revenue from Operations reduced from 57.9% in FY 2013 to 56.1% in FY 2014 on account of improving efficiency and higher sales from better margin business segment.

Employee benefits

Our Employee benefits expenses increased from Rs.18,914 Lacs in FY2013 to Rs.22,156 Lacs in FY2014 showing an increase of 17.1% over FY2014 mainly on account of increase in salaries, wages and bonus expenses of the overseas subsidiaries due to higher average exchange conversion rate and annual salary increments as compared to FY2013. As a result of this, Employee benefit cost as a percentage of sales increased from 13.0% in FY2013 to 14.0% FY2014.

Other expenses

Other expenses increased to Rs.31,187 Lacs in FY2014 from Rs.28,615 Lacs in FY 2013 showing an increase of 9.0% mainly on account of higher repairs and maintenance expenses on plant and machinery and higher consummation of stores, loose tools and spare parts and increased power and fuel expenses. However, as a percentage of Revenue from Operations, the Other expenses decreased marginally from 19.7% in FY 2013 to 19.6% in FY 2014 due to improved operational efficiency

Finance Cost

Our Finance Cost has increased from Rs.8,227 Lacs in FY2013 to Rs.9,973 Lacs in FY2014 showing an increase of 21.2% mainly on account of higher interest rates charged for the loans availed by our Company. Total Loans (including secured and unsecured loans as mentioned in the section titled "***Capitalization Statements***") outstanding as of March 31, 2014 was Rs. 59,152 Lacs compared to total loan outstanding as on March 31, 2013 of Rs. 66,854 Lacs

Depreciation and amortization Expenses ("Depreciation Expenses")

The Depreciation Expenses increased from Rs.4,638 Lacs in FY 2013 to Rs.5,126 Lacs in FY 2014 showing an increase of 10.5% mainly on account of full year depreciation charged on the plant and machinery added in FY 2013 in our Chennai factory and on account of translation adjustment made to the accumulated depreciation resulting from further depreciation of Indian rupee during FY 2014.

Profit Before Tax ("PBT")

Consolidated PBT increased from Rs.1,230 Lacs in FY 2013 to Rs. 2,580 Lacs in FY 2014 mainly on account of improved focus on higher sales and margin products. PBT as a percentage of Revenue from Operations increased from 0.8% in FY2013 to 1.6% in FY2014 on account of better sales mix and profit arising on sale of fixed assets.

Profit After Tax ("PAT")

Consequent to the above factors, there was a Profit After Tax of Rs.1,377 Lacs in FY 2014 compared to a Loss after tax of Rs. (1,191) Lacs in FY2013.

Cash Flow

FY 2014 compared to FY 2013

Net cash generated from operating activities reduced from Rs.23,892 Lacs for FY 2013 to Rs.17,407 Lacs for FY2014 mainly on account of increase in loans and advances, increase in inventories and decrease in long term and short term provisions in FY 2014 as compared to FY 2013.

Net cash used in the investing activity decreased in FY 2014 to Rs.1,433 Lacs compared to Rs.5,922 Lacs net cash used in investing activity mainly on account of less net addition to Fixed assets in FY 2014 compared to FY 2013.

Net cash used in Financing activities increased from Rs.14,409 Lacs to Rs.17,670 Lacs in FY 2014 mainly on account higher repayment of borrowings along with interest paid.

FY 2013 compared to FY 2012

Net cash generated from operating activities increase to Rs.23,892 Lacs in FY 2013 compared to Rs.12,813 Lacs in FY2012 mainly on account of decrease in trade receivables due to effective receivable management.

Net Cash used in investing activity in FY 2013 was Rs.5,922 Lacs compared to net cash used in investing activity of Rs. 31,608 Lacs in FY 2012 on account of purchases of fixed assets and acquisition of Eisenwerk Erla GmbH, Germany and JKM Ferrotech Limited made in FY 2012

Net cash used in Financing activity is FY 2013 was Rs.14,409 Lacs compared to net cash provided by financing activities of Rs.19,568 Lacs in FY 2012 mainly on account of higher borrowings made in FY 2012 on account of the acquisition funding.

Interest Coverage Ratio

(Rs. in Lacs)

		Fiscal year ending March 31, 2014	**Fiscal year ending March 31, 2013**	**Fiscal year ending March 31, 2012**
A	Profit / (Loss) after Tax	1,377	(1,191)	2,464
B	Depreciation / Amortisation	5,126	4,638	4,340
C	Cash profits (A+B)	6,503	3,447	6,804
D	Finance costs	9,973	8,227	7,145
E= (C+D)/D	Interest coverage ratio	1.65	1.42	1.95

Summary of reservations or qualification or adverse remarks in the auditors' report in the last five Financial Years immediately preceding the year of filing the PPD and of their impact on the financial statements and financial position of our Company and the correct steps taken and proposed to be taken by our Company for each of the said reservations or qualifications or adverse remark

There are no reservations or qualification or adverse remarks in the auditors' report in the last five Financial Years immediately preceding the year of filing the PPD.

Change in Accounting Policies during the last three years and their effect on the profits and the reserves of our Company

There have been no changes in the accounting policies during the last three financial years of our Company ending March 31, 2014, 2013 and 2012

Recent Developments

To our knowledge, except as otherwise disclosed in this Preliminary Placement document, there is no subsequent development after the date of our financial statements contained in this Preliminary Placement document which adversely affects, or is likely to affect adversely, our operations or profitability, or the value of our assets, or our ability to pay our material liabilities within the next 12 months.

INDUSTRY OVERVIEW

The information presented in this section has been obtained from publicly available documents from various sources, including officially prepared materials from the Government of India and its various ministries, industry websites and publications, and other third party reports. Industry websites and publications generally state that the information contained therein has been obtained from sources believed to be reliable but their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe industry, market and government data used in this Preliminary Placement Document is reliable, it has not been independently verified and hence their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assured and accordingly, investment decisions should not be based on such information. Neither we, nor any other person connected with this Issue has verified this information.

Statements in this section that are not statements of historical fact constitute "forward-looking statements". Such forward-looking statements are subject to various risks, assumptions and uncertainties and certain factors could cause actual results or outcomes to differ materially.

INDIAN ECONOMY

According to the Economic Survey 2013-14, tabled in Parliament on July 9, 2014, by Mr Arun Jaitley, Union Minister for Finance, Government of India, the gross domestic product (GDP) is expected to grow at 5.4-5.9% in FY15. Fiscal deficit for 2013–14 has been contained at Rs 508,149 crore (US$ 85.01 billion) (provisional) – 4.5% of the GDP (4.9 per cent in 2012–13).

Further, The Union Budget for 2014-15 announced by Mr Arun Jaitley, Union Minister for Finance, Government of India, in Parliament on July 10, 2014. Some key highlights of the Union Budget 2014-15 are as follows:

- Aiming at 7-8 per cent gross domestic product (GDP) growth in 3-4 years
- Decline in fiscal deficit from 5.7 per cent in 2011-12 to 4.5 per cent in 2013-14 mainly achieved by reduction in expenditure rather than by way of realisation of higher revenue
- A sum of Rs 7,060 crore (US$ 1.17 billion) is provided in the current fiscal for the project of developing 'one hundred Smart Cities'

Source : India Brand Equity Foundation
www.ibef.org

ENGINEERING INDUSTRY

Engineering is by far the largest segment in the Indian industry. It is a diverse industry with a number of segments, and can be broadly categorised into two segments, namely, heavy engineering and light engineering. The engineering sector is among the top contributors to the total Indian export basket. Engineering exports from the country include transport equipment, capital goods, other machinery/equipment and light engineering products such as castings, forgings and fasteners.

The sector accounts for about 20 per cent of India's total exports and is the largest foreign exchange earner for the country in terms of merchandised goods. Continued growth of manufacturing sector and favourable regulatory policies will further propel the sector's growth.

Market Size

The turnover of engineering services firms is also likely to touch US$ 37 billion by 2020. Engineering exports from the country stood at US$ 61.61 billion in 2013–14, registering a growth of 8.49 per cent compared to the previous year. During April 2014, the overseas sales of engineering products rose 21.3 per cent to US$ 5.7 billion. Of the country's total engineering exports, the United States (US) and Europe account for over 60 per cent. Transport equipment is the leading contributor to engineering exports, accounting for 32.5 per cent of the total exports during FY 13.

Government Initiatives

The government plans to give impetus to engineering in India through investments in infrastructure development in 2012–17 in telecom, energy and construction sector, as per a report by the National Association of Software and Services Companies (Nasscom) and Booz & Co.

Road Ahead

India is fast moving from exporting low-value goods to developing countries to exporting high-value goods to developed countries. With development in associated sectors such as automotive, industrial goods and infrastructure, coupled with a well-developed technical human resources pool, engineering exports are expected to touch US$ 120 billion by 2015. "Engineering exports are likely to grow in India with the new government set to take bold decisions that will boost the sector," as per EEPC. India's share of global engineering process outsourcing is expected to reach US$ 40 billion by 2020, which will be 30 per cent of the total global market. The Indian electrical machinery industry is likely to double its sales to US$ 100 billion between 2012 and 2022.

Source :India Brand Equity Foundation
www.ibef.org

AUTOMOBILE INDUSTRY

The Indian automobile sector is one of its most vibrant industries. The industry accounts for 22% of the country's manufacturing gross domestic product (GDP). It comprises passenger cars, two-wheelers, three-wheelers and commercial vehicles and is currently the seventh-largest in the world with an average annual production of 17.5 million vehicles, of which 2.3 million are exported. The Indian auto market has the potential to dominate the global auto industry, provided a conducive environment is created for potential innovators to come up with new pilot projects.

The next few years are projected to show solid but cautious growth due to improved affordability, rising incomes and untapped markets. All these open up an opportunity for automobile manufactures in India.

Market size

In April 2014, passenger car sales stood at 1,786,899 units while utility vehicles sales stood at 525,942 units, as per data from Society of Indian Mobile Manufacturers (SIAM). Export of utility vehicles showed an improvement of 298 percent with 41,550 units. Tractor sales in the country will grow at a compound annual growth rate (CAGR) of 8-9 per cent in the next five years making India a high-potential market for international brands such as Kubota, Case New Holland, AGCO, Same Deutz Fahr and John Deere, according to JD Power Asia Pacific's maiden pilot study on the Indian tractor market.

Government Initiatives

The Indian government encourages foreign investment in the automobile sector and allows 100% FDI under the automatic route. It is a fully delicensed industry and free imports of automotive components are allowed. Moreover, the government has not laid down any minimum investment criteria for the automobile industry and has formulated the Automotive Mission Plan for the period 2006-2016 which aims to accelerate and sustain growth in this sector. The plan also aims to double the contribution of the automotive sector to the country's GDP by taking its turnover to US$ 145 billion and providing additional employment to 25 million people by 2016.

Road Ahead

Faster economic growth coupled with the government's policies is likely to drive volumes and revive the Indian automobile sector. A fall in interest rates and stable fuel prices are expected to create an environment conducive for growth in this industry. Many foreign companies have also started to show their presence in India leading to a very competitive automobile market in the country, which augurs well for the sector's growth. It has been predicted by IHS Automotive, a global market information provider that India will become the third largest automotive market in the world by 2016 ahead of Japan, Germany and Brazil, riding on its domestic automotive sales.

Source : India Brand Equity Foundation
www.ibef.org

AUTO COMPONENT INDUSTRY ***(http://www.ibef.org/industry/autocomponents-india.aspx)***

The Indian auto component industry is one of the country's rising industries with tremendous growth prospects. From a low-key supplier providing components exclusively to the domestic market, the industry has emerged as one of the key auto components centres in Asia and is today seen as a significant player in the global automotive supply chain. India is now a supplier of a range of high-value and critical automobile components to global auto makers such as General Motors, Toyota, Ford and Volkswagen, amongst others. The industry currently accounts for almost 7% of India's gross domestic product (GDP).

Market size

The Indian auto component industry is expected to register a turnover of US$ 66 billion by FY 15-16 with the likelihood to touch US$ 115 billion by FY 20-21 depending on favourable conditions, as per the estimates of Automotive Component Manufacturers Association of India (ACMA). In addition, industry exports are projected to reach US$ 12 billion by FY 15-16 and add up to US$ 30 billion by FY 20-21. Exports in the sector grew by 4.4% to touch US$ 9.69 billion in 2013, as per data provided by ACMA.

Government Initiatives

The Government of India has allowed 100% FDI in the automotive industry through automatic route. With a special focus on exports of small cars, multi-utility vehicles (MUVs), two and three-wheelers and auto components, the automotive sector's contribution to the GDP is expected to double reaching a turnover worth US$ 145 billion in 2016, according to the AMP 2006-2016.

Road Ahead

The rapidly globalising world is opening new avenues for the transportation industry, generating the need for more efficient, safe and reliable modes of transportation, which is subsequently adding to the auto component industry's growing opportunities. According to a report by the Confederation of Indian Industry (CII), the Indian auto component industry is set to become the third largest in the world by 2025. Also, by that time, newer verticals and opportunities for component manufacturers will open up as the automobile market will shift towards electric, electronic and hybrid cars, and newer technologies will have to be adopted via systematic research and development. By 2020, it has been estimated that nearly 90 % of vehicles on the road will be wired. While the connected car market is expected to touch US$ 600 billion, the automotive component industry is predicted to reach US$ 113 billion.

Source :India Brand Equity Foundation
www.ibef.org

DEFENCE

The economic and strategic significance of Indian defence sector is growing day by day due to the dynamically volatile geopolitical situations prevailing at global as well as regional sphere. Keeping the upward movement of the intensity of security threats in mind, it is indispensible for India to maintain a highly modernized defence system capable of meeting any security challenges in order to safeguard its national sovereignty and territorial integrity.

India today is the largest buyer of Defence equipment in the world. Our domestic manufacturing capacities are still at a nascent stage. We are buying substantial part of our Defence requirements directly from foreign players. Companies controlled by foreign governments and foreign private sector are supplying our Defence requirements to us at a considerable outflow of foreign exchange. The composite cap of foreign exchange is being raised to 49% from 26% in Defence manufacturing with full Indian management and control through the FIPB route.

Further, the Finance minister in his budget speech has proposed to allocate an amount of Rs. 2,29,000 crore for the current financial year for Defence.

Source: Budget 2014 – 2015 (www.indiabudget.nic.in)

The Department of Defence Production (DDP) was set up in November 1962 with the objective of developing a comprehensive production infrastructure to produce the weapons/ systems/ platforms/ equipments required for defence. Over the years, the Department has established wide ranging production facilities for various defence equipments through the Ordnance Factories and Defence Public Sector Undertakings (DPSUs). The products manufactured include arms and ammunition, tanks, armoured vehicles, heavy vehicles, fighter aircrafts and helicopters, warships, submarines, missiles, ammunition, electronic equipment, earth moving equipment, special alloys and special purpose steels.

Further, to achieve the goal of self-reliance in the Defence Sector, continuous efforts are being made to increase indigenization, wherever technologically feasible and economically viable.

Source: Annual Report 2013 – 14, Ministry of Defence, Government of India

AEROSPACE

In India, by 2020, passenger traffic at Indian airports is expected to increase to 450 million from 159.3 million in 2012- 2013 and is expected to be the third largest aviation market by 2020. Domestic passenger traffic expanded at a CAGR of 12.5% over FY06–13 and by FY17 domestic passenger traffic is expected to touch 209 million. International passenger traffic posted a CAGR of 9.8 per cent over FY06-13 and is set to touch 60 million by FY17.

Source : India Brand Equity Foundation
www.ibef.org

BUSINESS

*Some of the information contained in the following discussion, including information with respect to our plans and strategies, contain forward-looking statements that involve risks and uncertainties. You should read the section "**Forward-Looking Statements**" on page 148 for a discussion of the risks and uncertainties related to those statements and also the section "**Risk Factors**" on page 30 for a discussion of certain factors that may affect our business, financial condition or results of operations. Our actual results may differ materially from those expressed in or implied by these forward-looking statements. Our fiscal year ends on March 31 of each year, so all references to a particular Fiscal are to the twelve-month period ended March 31 of that year.*

Some of the information contained in the following discussion, including information with respect to our plans and strategies, contain forward-looking statements that involve risks and uncertainties. You should read the section "Forward-Looking Statements" for a discussion of the risks and uncertainties related to those statements and also the section "Risk Factors" for a discussion of certain factors that may affect our business, financial condition or results of operations. Our actual results may differ materially from those expressed in or implied by these forward-looking statements. Our fiscal year ends on March 31 of each year, so all references to a particular Fiscal are to the twelve-month period ended March 31 of that year.

Overview

We are a manufacturer of high precision engineering products catering to three business segments viz (i) Hydraulics (ii) Automotive & Metallurgy and (iii) Aerospace and Defence having units at India, Germany and United Kingdom. In our non-primary business we are involved in wind power generation at Tamil Nadu having an aggregate capacity of 12 MW of power generation. Our Company was incorporated at Bangalore, India, on March 7, 1973, as Dynamatic Hydraulics Limited under the Companies Act, 1956. The name of our Company was changed from Dynamatic Hydraulics Limited to Dynamtic Technologies Limited on December 14, 1992. The Equity Shares of our Company are listed on BSE and NSE.

With over four decades of manufacturing experience, we have evolved to become an integrated multiproduct manufacturing company. We are equipped to deliver from concept and design to manufacture of products and delivery of services in each of the business segments from our facilities at Bangalore, Chennai and Nashik in India and Schwarzenberg, in Germany and Bristol and Swindon, in United Kingdom. Our Company has evolved from being a manufacturer of hydraulic gear pumps to precision engineering products manufacturer.

Further, we have a research and development facility located in Bangalore, India and is engaged in design validation and optimization, analysis and prototyping and testing and analysis of our mechanical products. This facility caters primarily to in-house requirements of our Company in material science, new product design and development, production optimization, prototyping and test validation. This enables our Company to provide end-to-end solutions built uniquely around our customer's needs. This division aims at conferring competitive advantages through optimal solutions, shorter design cycles and higher design quality.

Hydraulics Segment – Under this vertical our Company develops and manufactures various hydraulic pumps, motor and valves. In addition to hydraulic gear pumps, we manufacture a wide range of hydraulic valves and custom tailored hydraulic solutions extending from simple hydraulic pumping units to sophisticated marine power packs. Our products are used in agricultural tractors, earth-moving equipments, material handling equipments, mining and drilling equipments and road paving equipments. Our products focused on hydraulics segments are manufacture in the facilities located at Bangalore, India and Swindon, UK

Automotive & Metallurgy Segment – Under this vertical, we manufacture high quality ferrous and non-ferrous critical engine and transmission components for the automobile industry. Some of these product includes turbocharger parts, water pumps, oil pumps, inlet manifolds, rocker arms, exhaust manifold case assemblies fork shifts, compressor housings, delivery pipes, rocker covers, engine brackets and various engine and transmission parts. Additionally, in this segment we also offer engine parts, transmission parts, chasis parts. Our automotive and metallurgy focused products are manufactured at our facilities located at Chennai, India and Schwarzenberg, Germany.

Aerospace & Defence Segment – Under this vertical, we manufacture airframe structures, precision aerospace components and security products and technologies. We also have complex 5 axis machining capabilities for machining operation in the products focused on this segment. The aerospace and defence focused business includes manufacture of products including wing and rear fuselage, wing flaps and air frame structures and carry out of process of machining, finishing, assembly and inspection operations . The aerospace & defence products are manufactured at our facilities situated at Bangalore and Nashik, in India and at Bristol and Swindon, United Kingdom.

The table below provides information regarding Total Revenue from Operations (net of excise duty) relating to business segments during Fiscals 2012, 2013 and 2014 as per the Consolidated Financial Statements Segment information:

(Rs. in Lacs)

Segments	Fiscal 2012		Fiscal 2013		Fiscal 2014	
	Revenue (net of excise duty)	% of Total Revenue	Revenue (net of excise duty)	% of Total Revenue	Revenue (net of excise duty)	% of Total Revenue
Hydraulic Precision Engineering	28,463	18.8%	28,674	19.7%	30,953	19.5%
Automotive Components	108,257	71.8%	99,184	68.3%	105,360	66.4%
Aerospace	14,101	9.4%	17,247	11.9%	22,333	14.1%
Research Farm	-	-	108	0.1%	108	0.1%
Others	32	0.02%	-	-	-	-
Revenue from operations	150,853	100.0%	145,213	100.0%	158,754	100.0%

Our Company is committed to providing quality products to our customers and in this relation have also received various quality accreditations including ISO 9001:2008 Quality Management System, ISO 14001: 2004 Environmental Management System, Environmental Management System Standard BS EN ISO 14001: 2004 and Quality Management System ISO/TS 16949:2009, Environmental Management System Standard ISO 14001:2004, Energy Management Standard ISO 50001:2011, ISO 9001: 2000 certificate, Quality Management System AS9100C:2009-01; EN9100:2009; JIS Q9100:2009, AS 9100 "C" annual certification, BSI Quality Management System AS9100 REV C AND ISO 9001:2008 which complies with requirements AS9100 REV C/BS EN 9100:2009, ISO 9001:2008 etc.

OUR COMPETITIVE STRENGTHS

We believe that our primary competitive strengths include the following:

High precision engineering multiproduct company catering to focused business segments

We are a high precision engineering company manufacturing various products catering to focused three business segments viz (i) Hydraulics (ii) Automotive & Metallurgy and (iii) Aerospace and Defence. For FY 2014 contribution of revenue from in total Revenue from Hydraulics, Automotive & Metallurgy and Aerospace & Defence was 19.50%, 66.37% and 14.07% respectively. We believe that the revenue streams from these diverse segments reduce our dependence on any particular sector, thereby shielding us from sector-specific depressions. Further, we believe our high end precision engineering capabilities help us in becoming one of the preferred suppliers to large OEMs across the focus segments in India and overseas.

Fully integrated manufacturing capabilities

We believe we are equipped to deliver solutions from concept to product backed by a strong design division, manufacturing facilities and a dedicated owned foundry which supplies castings providing us with the capability to become an integrated manufacturing company from designing - alloy making - final product making. We believe, this capability helps us to provide one stop engineering solutions to for our customers, which helps us in getting repeat orders from our customer and adding new customers

Significant operating experience and relationship with global OEM players

We have four decades of experience in the manufacturing of products for the Hydraulic segment and over a decade experience in our Automotive & Metallurgy and Aerospace & Defence Segments. We have an established global footprint with manufacturing facilities in India, Germany and UK. We believe that our experience in each of our businesses provides us with a significant competitive advantage and has helped us to become one of the preferred suppliers for global OEM players across the focused segments like Audi, BMW, Volkswagen, Hyundai, Mahindra & Mahindra, John Deere, New Holland Hindustan Aeronautics Limited, Airbus, Bell, and Boeing.

Experienced management team and employees

Our Company has an experienced management team led by Mr. Udayant Malhoutra, Promoter, Chief Executive Officer and Managing Director who has been associated with our Company for over two decades. Our Company has requisite mix of employees having academic backgrounds from the automotive, aerospace, casting and engineering industries, business management, commerce, etc. We believe that our qualified and experienced management and key employees have contributed to the growth of our operations and the development of our in-house processes and competencies. Our key employees have experience in our industry and have been instrumental in implementing our various business strategies from time to time.

Diversified manufacturing facilities

Our manufacturing facilities are located at India, United Kingdom and Germany. We believe our diverse manufacturing helps us in meeting our customer requirements across different geographies in efficient manner which helps in getting repeat orders and addition of customer.

OUR STRATEGIES

To emerge as a global high precision engineering player catering to focused business segments

We are an engineering company with focus on high precision engineering. We intend to continue building on our expertise and execution capabilities and emerge as a preferred player in the areas of Hydraulics, Automotive & Metallurgy and Defence & Aerospace segment globally providing all round engineering solutions to our customers. We recognise that achieving these goals can be effectively enabled by diversifying our customer base and range of products, consolidating our position with existing customers and establishing relations with newer customers in varied segments. We also propose to take initiatives in technology development as well as absorption, setting up new ventures, periodic review of our business portfolio, and expansion of physical capacities, risk management, operational excellence and human resource development.

Development of new products within the focused business segments along with increased focus on performance critical components

Our Company proposes to continue to develop products by developing and/or acquiring new technology and developing our in-house product designing and development capabilities including in association with others. For example our intention to foray into the manufacturing of unmanned aerial vehicle, mobile surveillance vehicle etc. We have a research and development facility located in Bangalore and is engaged in design validation and optimization, analysis and prototyping and testing and analysis of our mechanical products. Further, we intend to increase focus on developing and manufacturing of performance critical components which would in turn help us to augment the positioning of our products amongst our customers.

Develop and continue maintaining strong relationships with our customers

We enjoy relationships with our customers and have become Tier I suppliers to various OEMs across our focused segments. Our customers include global players like Audi, BMW, Volkswagen, Hyundai, Mahindra & Mahindra, John Deere, New Holland Hindustan Aeronautics Limited, Airbus, Bell, and Boeing. We intend to continue leveraging our customer relationships to augment our presence in the markets in which we are currently operating as well as to penetrate newer markets globally.

Continued focus on cost reduction and cost effectiveness

Improving cost efficiency in our manufacturing processes and reducing investments in non-critical manufacturing processes constitute a key part of our business strategy. Recently, we have undertaken several cost reduction steps such as outsourcing certain non-critical manufacturing processes, manpower reduction, inventory reduction, consolidation of production capacities, reduction in waste and phasing out our low-margin products. We will look to invest in assets/opportunities that will help us reduce cost or improve efficiencies.

Improving participation in the manufacturing of products for the defence sector

We have in the past manufactured and supplied product directly or indirectly for the defence sector. With recent liberalisation of defence sector and focus of the government for the indigenisation for the manufacturing of defence products, we intend to improve our participation in the development and manufacturing of products for the defence sector. Further, our Company also intends to focus on offering ISR(Intelligence, Surveillance and Reconnaissance) solutions for the National security forces.

DESCRIPTION OF OUR BUSINESS

We are a manufacturer of high precision engineering products catering to three business segments viz (i) Hydraulics (ii) Automotive & Metallurgy and (iii) Aerospace and Defence.

Hydraulic Segment:

Our hydraulic segment focused business is one of the oldest business of our Company. We believe, we are one of the leading manufacturers of hydraulic gear pumps in India. In addition to hydraulic gear pumps, we also manufacture a wide range of sophisticated hydraulic valves and custom tailored hydraulic solutions extending from simple hydraulic pumping units to marine power packs, complex aircraft ground support systems to turnkey industrial installations. We also supply the hydraulic transmission system including steering control system, turret control system and Brake actuating system. We have introduced several new products in our hydraulics business, which include high pressure-high load tolerant cast iron pumps, high performance gear pumps for new generation tractors and new generation gear pumps with bearing assembly for trucks. Our Company also produce comprehensive range of gear pumps for all applications. We manufacture and supply these products domestically and also carry out export for these products

Our manufacturing facilities for the products focused on hydraulic segments are located at (i) Unit I, Plot No.1A/1, 1st Main Road, 2nd Phase, 1st Stage, Peenya Industrial Area, Bangalore; (ii) Unit II, Plot No.K-11, 5th Cross, 1st Stage, Peenya Industrial Area, Bangalore, (iii) K – 12, T – 1 and T – 2, 5th Cross, 1st Stage, Peenya Industrial Area, Bangalore, and (iv) #28, Part – A, KIADB Road, 1st Stage, Peenya Industrial Area, Bangalore in India. In 2007, we have acquired the hydraulics unit at Swindon, UK situated at Cheney Manor, Swindon, Wiltshire SN2 2PZ, England. Through this acquisition, we have broadened our product offering in this segment as well as achieved better technologies to support our growth plans in the hydraulics product segment.

We have received ISO 9001:2008 Quality Management System for design, development, manufacture, and after sale service of engineered components and systems for hydraulic and automotive applications. We are also certified as ISO 14001: 2004 Environmental Management System applicable to activities associated with and including manufacture and after sale service of engineering components and systems for hydraulic and automotive applications, machined and fabricated aerospace components and assembly structures. For the Hydraulic segment, we have been awarded with best performance award for outstanding SCM performance by Swaraj Tractor Division of Mahindra & Mahindra in the year 2010, appreciation from

Voltas Limited for consistent quality of products in the year 2011 and certificate of recognition for services and support rendered to VST Tillers & Tractors Limited in the year 2014

Our products in the hydraulic segment have various applications which include use in agricultural tractors, construction equipment, earthmoving equipment, material handling equipment, mining and drilling equipment and road paving:

- Mechanized Agriculture: Hydraulic gear pumps manufactured by our Company are used in agricultural tractors. We are an Original Equipment Supplier to all major tractor manufacturers in India.

- Industrial Applications: We enjoy a significant presence in the industrial market for hydraulic gear pumps in the country. Our pumps are used in machine tools and various other fluid power systems.

- Application in construction equipment and infrastructure equipment: Our products are used in the earthmoving equipment market. We have also developed an entire range of cast-iron body high pressure gear pumps, having application in various earthmoving and material-handling equipment.

Some of our Company's customer in this segment includes Mahindra & Mahindra, John Deere, New Holland and SAME DEUTZ-FAHR amongst others.

A***utomotive and Metallurgy Segment***

We in this segment, manufacture high quality ferrous and non-ferrous critical engine and transmission components for the automobile industry. Some of these products include turbocharger parts, water pumps, oil pumps, inlet manifolds, rocker arms, exhaust manifold case assemblies fork shifts, compressor housings, delivery pipes, rocker covers, engine brackets and various engine and transmission parts. Additionally, in this segment we also offer engine parts, transmission parts, chasis partsengine parts, transmission parts, turbocharger parts, chasis parts including exhaust manifold, flywheel, brake calliper, water pump body, compressor housing etc. Our Company incorporates the use of latest metallurgical processes with heat treatment processes being designed to ensure castings are made with no inclusions, minimal melting loss and with the effective removal of gas from the metal. We use sophisticated machinery like tiltable gravity die casting machines, holding furnaces, impregnation plant, core shooters, sand core making facilities, leak testing machines and shot blasting machines.

Our manufacturing unit in India is located at F-68, SIPCOT Industrial Estate, Irrungattukottai, Sriperumbudur, Kanchipurum, Chennai. We have received the Environmental Management System Standard BS EN ISO 14001: 2004 for activities associated with and including the manufacture of precision components and assemblies for engine, transmission and related applications in the automotive sector for this unit. We have been accredited with the Quality Management System ISO/TS 16949:2009 (excluding product design) certificate for manufacturing of precision components and assemblies for engine, transmission and related automotive application for this unit.

Our manufacturing unit in Germany is located at Eisenwerk Erla GmbH, 08340, Schwarzenberg, Germany, which we acquired in 2011. This facility specialises in the manufacture of ferrous and high grade alloys. We have received the Environmental Management System Standard ISO 14001:2004 for development, manufacturing and machining goods made of iron casting as well as pattern making for this unit. We have also been certificated for Energy Management Standard ISO 50001:2011 for manufacturing and machining goods made of iron casting for this unit.

We are a major supplier to major OEMs in India and across the globe and a single source supplier to many of our customers for products in the automotive and metallurgy segments. Some of these customers include Audi, BMW, Volkswagen and Hyundai.

Aerospace and Defence Segment

Under this segment, we are involved in manufacturing of sheet metal parts and structural assemblies airframe structures, precision aerospace components and security products and technologies focused on the aerospace and defence segment. Some of these products include wing and rear fuselage, wing flaps and air frame structures. We have successfully executed projects for national defence through HAL. The aerospace division of our Company has been expanding to build capabilities in large aero-structures.

Our manufacturing unit in India is located at 11, Dynamatic Park, Peenya Industrial Area, Bangalore, Karnataka. We have been accredited with ISO 9001: 2000 certificate and are certified to AS9100 standards for aero-structures for this facility. We have received quality accreditations such as Quality Management System AS9100C:2009-01; EN9100:2009; JIS Q9100:2009 for requirements for aviation, space and defence organisations. We are also approved by Performance Review Institute, 161 Thorn Hill Road, Warrendale (NADCAP) for its heat treatment facilities. We have also received AS 9100 "C" annual certification covering for this facility.

Our manufacturing units in United Kingdom are located at (i) Oldland Aerospace Division, Unit 1-4, Jarvis Street, Barton Hill, Bristol, BS5 9TR, and (ii) Cheney Manor Industrial Estate, Swindon, SN2 2PZ, United Kingdom. We have received the quality certification BSI Quality Management System AS9100 REV C AND ISO 9001:2008 which complies with requirements AS9100 REV C/BS EN 9100:2009, ISO 9001:2008 and assessed in accordance with EN 9104:P1 for manufacture of machined components for but not limited to aerospace industry. This quality management system certification is also applicable for machining and assembly of components for aerospace industry, including full lot traceability. This facility has been accredited with Environmental Management System Certification ISO:14001:2004 for manufacture of machined components but not limited to the aerospace industry.

For the Aerospace & Defence segment, we have been awarded with creative partner award for the year 1998-99 from DRDO, ADE and ASIEO, national award for excellence in indigenization of defence equipment by Ministry of Defence in the year 2000, the "HAL Best Vendor Award for 2002 – 03" by HAL's aircraft division and Outstanding Vendor Award for the year 2008 by HAL. We have also received certificate of appreciation for excellence in product development by Cummins in 2009. Further, we are a supplier for major OEM's like Airbus, Boeing and Bell Helicopter, for supply of aircraft components and assemblies.

Wind Farms

In our non-primary business we are involved in wind power generation through our wind farms located at Varapatti Village, Palladam Taluka, Coimbatore, Tamil Nadu and having an aggregate capacity of 12 MW of power generation. The energy generated at our wind farms is used to set off energy units consumed at our manufacturing plants. Our Company has invested in the wind farm facilities to take advantage of beneficial tax credits from the government and to avail a set off against our power consumption tariffs at our manufacturing facilities. The wind farm is operated and maintained by third party contractor. We have entered in Energy Wheeling Agreement for WFHTSC No.75 and Energy Wheeling Agreement for WFHTSC No.32 both dated February 28, 2009 with Tamil Nadu Electricity Board for wheeling and banking of the surplus energy after the captive use of electricity by our Company.

RESEARCH AND DEVELOPMENT

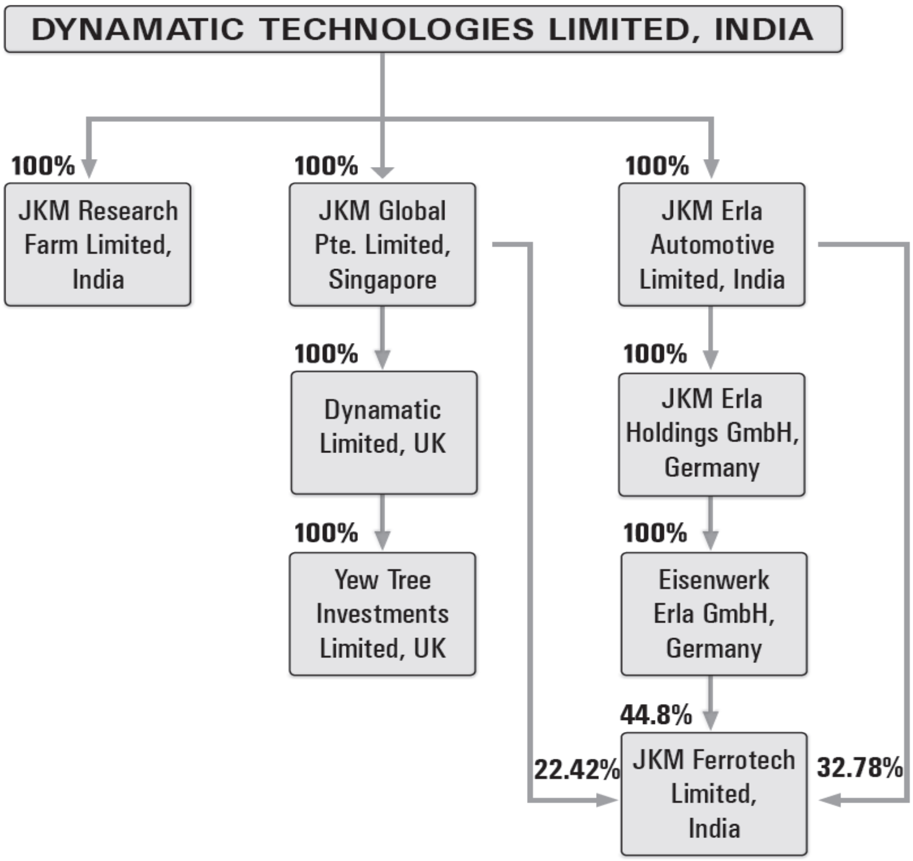
We have a research and development facility located in Bangalore and is engaged in design validation and optimization, analysis and prototyping and testing and analysis of our mechanical products. This facility caters primarily to in-house requirements of our Company by providing support to the automotive, hydraulics and aerospace divisions. Our strong in-house design division which is actively engaged in design validation and optimization, analysis and Proto types employs engineers with skill sets. The aforementioned design and development capabilities enable us to develop new products and modify our existing range of products to meet the requirements of our customers and the automotive and aerospace industry in general. Our integrated research and development facility - JKM Science Center is involved in material science, new product design and development, production optimization, prototyping and test validation. This enables our Company to provide end-to-end solutions built uniquely around our customer's needs. This division aims at conferring competitive advantages through optimal solutions, shorter design cycles and higher design quality. Our Company has been recognized by the Department of Scientific and Industrial Research, Ministry of Science and Technology, Government of India as a "Recognized in-house R&D unit".

RAW MATERIALS AND SUPPLIERS

The principal raw materials used in our manufacturing facilities include steel, aluminium and aluminium alloys, alloy steel wire rods, alloy steel tubes, nickel bricks. The prices of the raw materials are directly negotiated with various suppliers from time to time. We do not enter into long term contracts for purchase of raw materials with our suppliers.

OUR SUBSIDIARIES

Our Company carries out its principal business through itself as well as through its subsidiaries. The business structure of our Company as on September 30, 2014 is as follows:



A brief description of abovementioned subsidiaries and step down subsidiaries are as follows:

Dynamatic Limited, Swindon, UK ("DLUK")

DLUK is wholly owned subsidiary of JKM Global Pte Limited, wholly owned subsidiary of Dynamatic Technologies Limited. DLUK was incorporated on May 10, 2007 under the Companies Act, 1985 as a private limited company bearing company number 6243736 with Registrar of Companies, England. The main objects of DLUK contain *inter alia* is to carry on the business and undertaking of a general commercial company in all respects.

DLUK is currently involved in hydraulic and aerospace business through its manufacturing plant situated at Cheney Manor, Swindon, Wiltshire SN2 2PZ, England and Jarvis Street, Barton Hill, Bristol BS5 9TR, England.

Eisenwerk Erla GmbH, Germany ("Eisenwerk Erla")

Eisenwerk Erla is wholly owned subsidiary of JKM Erla Holding GmbH. Eisenwerk Erla was incorporated on May 31, 1990 bearing registration number HRB 61 in Germany as private limited company limited by shares, under the Article of Association of the Eisenwerk Erla and the German law. Eisenwerk Erla became part of the Dynamatic Group in 2011.

The main objects of Eisenwerk Erla include *inter alia* business of design, manufacture, purchase and sell of foundry products / castings, especially iron, high alloyed casting of iron (Ni-Resis D5S), high alloyed steel casting and original form tools and patterns.

Eisenwerk Erla is engaged in manufacturing of high alloyed ferrous castings for the car manufacturer (OEM´s) through its operating plant situated Eisenwerk Erla GmbH, 08340, Schwarzenberg, Germany. Eisenwerk Erla is also developing the business of its subsidiary unit (JKM Ferrotech Limited, India). Eisenwerk Erla is having its operations in Erla/Schwarzenberg, Germany and has vast experience in the foundry business.

JKM Ferrotech Limited ("JKM Ferrotech")

JKM Ferrotech was incorporated as 'Sanmar Ferrotech Limited' on April 13, 2007 as a public limited company pursuant to a Certificate of Incorporation with the Registrar of Companies, Tamil Nadu, Chennai under the Companies Act, 1956. JKM Ferrotech has received its Certificate of Commencement of Business on May 7, 2007, issued by the Registrar of Companies, Tamil Nadu, Chennai. The name of JKM Ferrotech was then changed to JKM Ferrotech Limited *vide* fresh certificate of incorporation consequent on change of name dated September 14, 2011.

The main objects of JKM Ferrotech include, *inter alia*, business of design, manufacture, purchase, sell, lease, distribute, import, export, deal and trade in casting of iron, alloy iron, 5G iron, alloy steel, stainless steel, nickel, base alloy, super alloys, brass, copper, bronze, and other ferrous/non-ferrous materials and to carry on the business of manufacture and sale of patterns, permanent moulds, dies, press, tools and fixtures and gauges and the casting, forming, shaping of ferrous and non-ferrous metals and other materials.

JKM Ferrotech is currently engaged in manufacturing of ferrous alloy and castings having its operations located at K – 4, Phase – I, SIPCOT Industrial Complex, Gummidipoondi, Thiruvallur, Tamil Nadu.

JKM Research Farm Limited ("JKM Research")

JKM Research was originally incorporated as JKM Sayag Floriculture Private Limited on December 9, 1994 under the Companies Act, 1956 *vide* Certificate of Incorporation issued by Registrar of Companies, Karnataka, Bangalore. JKM Research was converted into public limited company and subsequently the name was changed to JKM Sayag Floriculture Limited on February 13, 1995. The name of JKM Research was then changed to JKM Floriculture Limited *vide* fresh certificate of incorporation consequent on change of name dated August 20, 1996. The name of JKM Research was further changed to JKM Research Farm Limited *vide* fresh certificate of incorporation consequent on change of name dated August 21, 2001.

The main objects of JKM Research include, *inter alia*, business of floriculturists, agriculturists, horticulturists, cultivator, tillers, nurserymen, husbandsmen, seedsmen, farmers, garderners and raisers of crops, vegetables, plants, roots, creepers, garden plants, grapes, vines, sugarcane, cotton, tea, coffee, cocoa, rubber and to process and to grow, cultivate, plant, product, buy, sell and make marketable, import, export and otherwise deal in floricultural, agricultural, horticultural, sericultural, botanical, agro forestry, farm and garden products, grains, seeds, crops including commercial crops and to set up and run cold storages.

Currently JKM Research is not carrying out any significant business activities.

JKM Erla Automotive Limited ("JKM Erla")

JKM Erla was incorporated as 'JKM Erla Automotive Limited' on February 8, 2011 as a public limited company pursuant to a Certificate of Incorporation with the Registrar of Companies, Karnataka, Bangalore under the Companies Act, 1956. JKM

Erla has received its Certificate of Commencement of Business on April 7, 2011, issued by the Deputy Registrar of Companies, Karnataka.

The main objects of JKM Erla include, *inter alia*, business of design, manufacturing, selling, reselling, subcontracting, exchanging, hiring, altering, importing, assembling, distributing, servicing, repairing, and dealing in as original equipment manufacturers as also on jobbing industry basis and in any capacity in all or any kind of machinery, components, automotive engine parts, replacement parts and fittings of all kind inclusive of all types of axle, axle assembly, engine, engine parts for automobiles or any other type of vehicle driven by motive, mechanical or electric power.

Currently, JKM Erla is not carrying out any significant business activity and is a non-operation investment company.

JKM Global Pte Limited, Singapore ("JKM Global")

JKM Global was incorporated on August 10, 2005 bearing registration number 200510987D in Singapore as private limited company limited by shares, under the Companies Act, CAP 50.

The main objects of JKM Global include *inter alia* to purchase, establish and carry on business as general merchants, manufacturers, importers, exporters, commission agents, del credere agents, removers, packers, storers, storekeepers, factors and manufacturers of and dealers in foreign and local produce, manufactured goods, materials and general merchandise and to import, buy, prepare, manufacture, render marketable, sell, barter, exchange, pledge, charge, make advances and otherwise deal in or turn to account, produce, goods, materials and merchandise generally in their prepared, manufactured or raw state and to undertake, carry on and execute all kinds of commercial trading and other manufacturing operations or servicing/testing facilities and all business whether wholesale or retail etc.

Currently, JKM Global is not carrying out any significant business activity and is a non-operation investment company.

Yew Tree Investments Limited, UK ("Yew Tree")

Yew Tree is an indirect subsidiary of our Company and a wholly owned subsidiary of DLUK. Yew Tree was incorporated in England and Wales on July 13, 1995 as private limited company under The Companies Act, 1985 bearing registration number 3079538 with Registrar of Companies, England. The main objects of Yew Tree include *inter alia* to carry on the business of a holding company in all branches, and to acquire by purchase , lease concession, grant license or otherwise such business, options, rights , privileges, lands, buildings, leases, under leases, stocks, shares, debentures, debenture stock, bonds, obligations, securities, reversionary interest, annuities, policies of assurance and other property and rights and interests in property as the company shall deem fit and generally hold, manage, develop, lease, sell or dispose of same and to buy, sell, and generally deal in all goods, materials, articles of every description, and things required for the purpose of any of the foregoing businesses or capable of being profitably dealt with in connection therewith or likely to be required by customers of or persons having dealings with the company.

Yew Tree is not carrying out any significant business activity.

JKM Erla Holding GmbH, Germany ("JKM GmbH")

JKM GmbH is wholly owned subsidiary of JKM Erla Automotive Limited, India. JKM GmbH was incorporated on February 21, 2011 bearing registration number HRB 26799 in Germany as private limited company limited by shares, under the Article of Association of the JKM Erla Holdings GmbH and the German law. JKM GmbH became part of the Dynamatic Group in 2011.

The main objects of JKM GmbH include *inter alia* hold shares of business entities in the foundry, hydraulics, aerospace, automotive and automotive supplier industry and support/adoption of administrative tasks.

JKM GmbH is not carrying out any significant business activity.

OUR EMPLOYEES

We consider our employee strength as a critical factor to our success. We have drawn up a comprehensive human resource strategy that addresses key aspects of human resource development.

As on September 30, 2014, we have employed 824 employees including consultants under retainer basis, at a standalone level. In addition, we also employs contract labourers on a contract basis on a regular basis based on the requirements of our manufacturing units. Further each of our subsidiaries also employs a mix of both full time and/or contract employees based on the manufacturing requirements of the respective units. The skill sets of our employees give us the flexibility to adapt to the needs of our clients and the technical requirements of the various projects that we undertake.

ENVIRONMENT, HEALTH AND SAFETY

We are committed to protecting the environment in the course of conducting our operations. We are committed to providing a safe workplace for our employees and subcontractors. We endeavour to comply with the environmental, health and safety regulations of countries where we work. We are committed to carrying out our operations in an environmentally safe and responsible manner. To achieve this, we seek to ensure compliance with all applicable environmental laws and regulations by providing appropriate resources and infrastructure.

INSURANCE

We maintain insurance coverage for our manufacturing facilities as well as our assets at various other facilities. Depending on the risks associated with each type of asset, the assets are covered under appropriate types of insurance policies. Fixed assets and current assets at manufacturing plants are covered under standard fire and special perils insurance policy which covers loss/damage due to fire, explosions, lightning, act of god perils like storm, flood, cyclone and earthquake (including tsunami), aircraft damage, impact damage, riot strike and malicious damage, landslide, subsidence and rockslide and bush fire.

After analysis of risks associated with each category of fixed asset, we have taken insurance cover for replacement value against high risk assets while others are covered according to market value. In addition, current assets are also covered against burglary. Further, we may also be subject to claims resulting from defects arising from the products we manufacture for our clients. We maintain product insurance to cover risk arising out of product liability for many of our products. We have discontinued loss of profits or business interruption cover several years ago in view of minimal losses in this segment. We also maintain key man insurance for our CEO and Managing Director.

We believe that the insurance coverage availed by us is reasonably sufficient to cover all anticipated risks associated with our operations, but however there can be no assurance that the insurances taken by us would be adequate to cover all risks and losses. To facilitate the processing of any insurance claims we have also engaged professional intermediaries who provide technical assistance in relation to claims and policy coverage and negotiate the terms of the policy.

INTELLECTUAL PROPERTY

We create and own certain valuable intellectual property assets. We own or hold licenses to use certain patents, design and trademarks on a global basis. Our intellectual property assets include:

- Patents and patent applications related to our innovations and product offerings;
- Trademarks related to our brands; and
- Design of our product offerings.

We protect our competitive position by, among other methods, filing patent applications to protect technology and improvements that we consider important for the development of our products and services. As at September 30, 2014, we have 18 registered patents in various jurisdictions. In addition, we have 2 pending patent application for registration, in multiple jurisdictions. We also own various trademarks and service marks that contribute to the identity and the recognition of our corporate brand, product and service brands globally. These trade and service marks are integral to our business, and the loss of any of these intellectual property rights could have a material adverse effect on our business. However, our corporate logo is in the process of registration with the Trademark Authorities. We have applied for registration of our logo under the Trademarks Act, 1999 *vide* an application dated March 15, 2014 and our application is pending before the Registrar of Trademarks.

We are the registered proprietor of design of "gear pumps" under the provisions of the Design Act, 2000 and the Design Rules, 2001. We adopt a number of protection procedures including among others, trade secret protection, the inclusion of proprietary statements in the documents we create and confidentiality and non-disclosure clauses in the relevant agreements. Access to sensitive know-how is also restricted to employees on a highly selective basis. Further, from time to time, we encounter disputes over rights and obligations concerning intellectual property and we cannot provide assurance that we shall be able to successfully defend ourselves in the event of any such intellectual property disputes and oppositions.

PROPERTIES

Our Company has leasehold right or a license or right to use the properties described below:

Address	Primary Use
Plot No. 11, Survey Nos 69, 71 and 72, Chokkasandra Village, Peenya Industrial Area, Yashwantpur, Bangalore – 560 058	Registered Office and Factory
Plot No. 1A/1, Survey No. 28 and 29, 1st Main Road, 2nd Phase, 1st Stage, Peenya Industrial Area, Yashwantpur, Bangalore – 560 058	Factory
Plot No. K 12, New Municipal No. K12,T1, T2, BBMP PID No. 11 – 151 – K 12/T1/T2, 5th Cross, 1st Stage, Peenya Industrial Area, Yashwantpur, Bangalore – 560 058	Factory
Ground Floor and First Floor, Plot No. K – 11, 5th and 6th Cross, 1st Stage, Peenya Industrial Area, Yashwantpur, Bangalore – 560 058	Factory
Plot No - 28, Part – A of Peenya 1st phase, Survey No. 41, Peenya Village, Peenya Industrial Area, Yashwantpur, Bangalore – 560 058	Factory
Plot No. 55(Corner), Survey No. Part 6, 7, 8, 113 and 114, Unachur Village, Jala Hobli, Bengaluru North Yelahanka Taluka, Bangalore	Factory
Survey No. 727 part, Plot No. F 68, SIPCOT's Industrial Park, Irrungattukottai, Katarambakkam, Sriperambudur, Kanchipuram, Tamil Nadu	Factory
Survey No. 727 part of Kairambakkan Village, Plot No. F 69, SIPCOT's Industrial Park, Irrungattukottai, Katarambakkam, Sriperambudur, Kanchipuram, Tamil Nadu	Factory

The terms of the leases executed by us are varied. In most of the lease agreements executed by us, there is an option to renew the lease for a further period, usually at an increased rate of rent. Further, our Company own piece of land and buildings situated at the 444.94 acres of land located at Varapatti Village, Palladam Taluka, Coimbatore, Tamil Nadu for our wind mill business. In addition to above, we have also entered into a combination of leave and license agreements to conduct our domestic operations. We also own or lease other facilities through our Subsidiaries for our business purposes (manufacturing units and branch or marketing offices) in jurisdictions including United Kingdom, Germany and Singapore.

OVERVIEW OF THE INDIAN REGULATIONS AND POLICIES

The following description is a summary of relevant regulations and policies applicable to our Company. This description is based on the current provisions of Indian law, which are subject to change or modification or interpretation by subsequent legislative, regulatory, administrative or judicial decisions. The laws set out herein below and their description are not exhaustive, and are only intended to provide general information to Investors and is neither designed nor intended to be a substitute for professional legal advice.

We are manufacturer of high precision engineering products catering to three business segments viz (i) Hydraulics (ii) Automotive & Metallurgy and (iii) Aerospace and Defence. The business undertaken is regulated by various general and sector-specific laws and regulations, as amended, in India. Some of the key aspects of industry regulation in the hydraulics, automotive and aerospace sector in India are discussed below.

Overview of legislative and policy framework governing automotive sector in India

Motor Vehicles Act, 1988 ("Motor Vehicles Act")

The main statutory regulation governing motor vehicles in India is the Motor Vehicles Act and the Central Motor Vehicles Rules promulgated under the Motor Vehicles Act.

The Motor Vehicles Act empowers the Central Government to frame rules regulating the construction, equipment and maintenance of motor vehicles and trailers. These powers extend to the regulation of (a) the width, height, length and overhand of vehicles and of the loads carried, (b) the size, nature, maximum retail price and condition of tyres including embossing thereon of date and year of manufacture and the maximum load carrying capacity, (c) brakes and steering gear, (d) the use of safety glasses including prohibition of the use of tinted safety glasses, (e) signalling appliances, lamps and reflectors, (f) speed governors, (g) the emission of smoke, visible vapour, sparks, ashes, grit or oil, (h) the reduction of noise emitted by or caused by vehicles, (i) the embossment of chassis number and engine number and the date of manufacture, (j) safety belts, handle bars of motor cycles, auto-dippers and other equipment essential for safety of drivers, passengers and other road users, (k) standards of the components used in the vehicle as inbuilt safety devices, (l) provision for transportation of goods of dangerous or hazardous nature to human life, (m) standards for emission of air pollutants, (n) installation of catalytic convertors in the class of vehicles to be prescribed, (o) the placement of audio-visual or radio or tape recorder type of devices in public vehicles, (p) warranty after sale of vehicle and norms therefor, (q) maintenance of motor vehicles. In addition, the Motor Vehicles Act empowers the State Government to frame rules regulating (a) seating arrangements in public service vehicles and the protection of passengers against the weather, (b) prohibiting or restricting the use of audible signals at certain times or in certain places, (c) prohibiting the carrying of appliances likely to cause annoyance or danger, (d) the periodical testing and inspection of vehicles by prescribed authorities and fees to be charged for such test (e) the particulars other than registration marks to be exhibited by vehicles and the manner in which they shall be exhibited and (f) the use of trailers with motor vehicles.

The Motor Vehicles Act also provides for punishment for offences relating to construction and maintenance of vehicles.

The Central Motor Vehicle Rules, 1989

Chapter V of the Central Motor Vehicle Rules lays down provisions relating to construction, equipment and maintenance of motor vehicles. Among specifications pertaining to dimensions, steering gears, indicators, reflectors, lights, horns, safety belts and others, the Motor Vehicle Rules govern emission standards for vehicles operating on compressed natural gas, petrol, liquefied petroleum gas and diesel. Bharat Stage IV Emission Norms (equivalent to Euro IV norms) have been made to all 4 wheelers as of April 1, 2010 in the cities of Delhi/National Capital Region, Mumbai, Kolkata, Chennai, Bengaluru, Hyderabad, including, Secunderabad, Ahmedabad, Pune, Surat, Kanpur, Solapur, Lucknow and Agra. Bharat Stage III Emission Norms (Equivalent to Euro III norms) were made applicable for the rest of the country with effect from October 1, 2010.

Manufacturers must comply with the emission standards as laid down in the Motor Vehicle Rules from time to time and are required to certify such compliance.

Additionally, pursuant to the Central Motor Vehicle Rules, every manufacturer must also submit the prototype of every vehicle to be manufactured by it for testing by the Automotive Research Association of India, Pune, or such other agencies as may be specified by the central government for granting a certificate by that agency as to the compliance of provisions of the Motor Vehicles Act and the Motor Vehicle Rules.

The Central Motor Vehicle Rules also require the manufacturers to comply with notifications in the Official Gazette, issued by central government to use such parts, components or assemblies in manufacture of such vehicle, of such standards as may be specified or the relevant standards as specified by the Bureau of Indian Standards.

Automotive Mission Plan, 2006-16

The Automotive Mission Plan ("Plan 2006-16") laid down by the Ministry of Heavy Industries and Public Enterprises, Government, in December 2006, consists of recommendations to the task force of the Development Council on Automobile and Allied Industries constituted by the Government of India, in relation to the preparation of the mission plan for the Indian automotive industry. Plan 2006-16 recommends the adoption of appropriate tariff policy to attract more investment into the automobile industry, development of road, rail and port infrastructure, improvement in power generation through capacity enhancement and by decontrolling the Electricity Act to set up captive power plants which will facilitate faster growth of automotive sector both domestically and internationally. Plan 2006-16 recommends that a negative list of items, such as no duty concession for import of used/remanufactured vehicles, or treatment of remanufactured automotive products as old products, should be negotiated for free trade agreements or regional trade agreements on a case to case basis with other countries. Policy initiatives such as encouragement and collaboration of the automotive industry with research and academic institutions, tax concessions and incentives to enhance competitiveness in manufacturing and promotion of research and technology development, development of alternate fuel was also recommended by the Plan 2006-16. Plan 2006-16 also recommends, among others, the creation of Special Auto Component parks and creation of virtual special economic zones which would enjoy certain exemptions on sales tax, excise and customs duty. Strengthening of inspection and certification system by encouraging public private partnership and rationalization of the motor vehicles regulations are also among the major recommendations of the plan. A committee was identified under the chairmanship of the Secretary, Heavy Industries and Public Enterprises consisting of all stake holders including representatives of the Ministry of Finance, Government of India, representatives of ministries of environment, commerce, industrial policy and promotion, labour, shipping, railways, human resource development, science and technology, new and renewable energy, petroleum and natural gas of the Government of India, and representatives of the automotive industry, to monitor implementation and progress of the Plan 2006-16.

The National Auto Policy 2002

The National Auto Policy 2002 was introduced by the Department of Heavy Industry, Ministry of Heavy Industries and Public Enterprises of the Government in March 2002, with the aim, among others, to promote a globally competitive automotive industry and emerge as a global source for auto components, assist development of vehicles propelled by alternate energy sources, development of domestic safety and environmental standards at par with international standards and a key centre for manufacturing tractors and two wheelers in the world.

Emission Norms and Safety Standards in India

With effect from April 1, 2010, India migrated its emission norms to the Bharat Stage IV (equivalent to Euro IV) in 12 metro cities. On June 1, 2010 Bharat Stage IV Emission Norms (equivalent to Euro IV norms) were made applicable to the cities of Solapur and Lucknow. Bharat Stage III Emission Norms (equivalent to Euro III norms) are applicable to the rest of the country.

India has been a signatory to the 1998 UNECE Agreement on Global Technical Regulations (GTR) since April 22, 2006. India has a well-established regulatory framework administered by the Ministry of Shipping, Road Transport and Highways, Government of India (the "Ministry" or "MORTH"). The Ministry issues notifications under the Motor Vehicles Rules and the Motor Vehicles Act. Vehicles manufactured in the country are required to comply with relevant Indian standards and automotive industry standards.

Overview of Government of Karnataka on Aerospace Industries

The Government of Karnataka has decided to focus and promote the Aerospace sector, given the inherent advantages enjoyed by the State. The Government has a State Level Single Window Clearance Committee and the State High Level Clearance Committee (for investments greater than INR 50 crore) with the object of clearing proposals in a speedy manner. Further, the State has been making efforts to ensure that the infrastructure requirements of the industry are met and has proposed to set up an aerospace SEZ, near Bangalore International Airport at Devanahalli, where one thousand acres are to be devoted to expansion of aerospace activity, particularly MRO outsourcing. The Government is also promoting setting up of an aerospace university.

Karnataka Udyog Mitra (KUM)

Karnataka Udyog Mitra (KUM) was set up more than a decade ago, KUM works as a single point contact for all investors - from receiving a proposal to ensuring its implementation, KUM is actively working with the investors at all stages. The State Level Single Window Clearance Committee and the State High Level Clearance Committee (for investments greater than INR 50 crore) have been working to clear proposals in a speedy manner.

Foreign Direct Investment Policy (FDI Policy)

Defence Sector

The consolidated FDI Policy Circular, 2014 dated April 17, 2014 ("**Consolidated FDI Policy Circular, 2014**") had declared the FDI cap of 26% in Defence Sector through government route and above 26%, the approval of the Cabinet Committee on Security ("**CCS**") was to be obtained. However, the Department of Industrial Policy and Promotion (DIPP), Ministry of Commerce and Industry, Government of India as per Press Note No. 7(2014 Series) dated August 26, 2014 introduced certain amendments to the Consolidated FDI Policy Circular, 2014.

The Revised position is that the FDI cap has been raised to 49% in Defence Sector through government route and above 49%, the approval of the Cabinet Committee on Security (CCS) is to be obtained. Further, Portfolio Investment by FPI/FII/NRI/QFI and investments by FVCI's together will not exceed 24% per cent of the total equity of the investee/joint venture company. Portfolio Investments will be under automatic route.

The term "FDI" is composite and includes all kinds of foreign investments i.e. Foreign Direct Investment, Foreign Institutional Investors, Foreign Portfolio Investors, Non Resident Indians, Foreign Venture Capital Investors and Qualified Foreign Investors.

General Regulations and Policies applicable to our Company

Industrial Disputes Act, 1947

The Industrial Disputes Act, 1947 is the main legislation for investigation and settlement of all industrial disputes.

The Act enumerates the contingencies when a strike or lock-out can be lawfully resorted to, when they can be declared illegal or unlawful, conditions for laying off, retrenching, discharging or dismissing a workman, circumstances under which an industrial unit can be closed down and several other matters related to industrial employees and employers.

According to the Industrial Disputes Act, 1947, the term 'industrial dispute' means "any dispute or difference between employers and employers, or between employers and workmen, or between workmen and workmen, which is connected with the employment or non-employment, or the terms of employment or with the conditions of labour, of any person". The basic objectives of the Industrial Disputes Act, 1947are:-

- To provide a suitable machinery for the just, equitable and peaceful settlement of industrial disputes.
- To promote measures for securing and preserving amity and good relations between employers and employees.

- To prevent illegal strikes and lockouts.
- To provide relief to workers against layoffs, retrenchment, wrongful dismissal and victimisation.
- To promote collective bargaining.
- To ameliorate the conditions of workers.
- To avoid unfair labour practices.

The above act provides for the statutory machinery for conciliation and adjudication of industrial disputes such as conciliation officers, a board of conciliation, courts of inquiry, labour courts, industrial tribunals, etc

Factories Act, 1948

The Factories Act, 1948, as amended (the "Factories Act"), defines a 'factory' to be any premises on which on any day in the previous 12 months, 10 or more workers are or were working and on which a manufacturing process is being carried on or is ordinarily carried on with the aid of power; or at least 20 workers are or were working on any day in the preceding 12 months and on which a manufacturing process is being carried on or is ordinarily carried on without the aid of power. State governments prescribe rules with respect to the prior submission of plans, their approval for the establishment of factories and the registration and licensing of factories.

The Factories Act provides that the 'occupier' of a factory (defined as the person who has ultimate control over the affairs of the factory and in the case of a company, any one of the directors) shall ensure the health, safety and welfare of all workers while they are at work in the factory, especially in respect of safety and proper maintenance of the factory such that it does not pose health risks, the safe use, handling, storage and transport of factory articles and substances, provision of adequate instruction, training and supervision to ensure workers' health and safety, cleanliness and safe working conditions.

If there is a contravention of any of the provisions of the Factories Act or the rules framed thereunder, the occupier and manager of the factory may be punished with imprisonment for a term of up to two years or with a fine up to Rs.100,000 or with both, and in case of contravention continuing after conviction, with a fine of up to Rs. 1,000 per day of contravention. In case of a contravention which results in an accident causing death or serious bodily injury, the fine shall not be less than Rs. 25,000 in the case of an accident causing death, and Rs. 5,000 in the case of an accident causing serious bodily injury.

The Ministry of Labour and Employment proposes to amend the Factories Act, 1948 *vide* Office Memorandum dated June 5, 2014 wherein it is proposed to redefine the term "hazardous process" as a process in which a hazardous substance is used and the term "hazardous substance" would have the same meaning as assigned in the Environment Protection Act, 1986. An Occupier would now be required to take permission from the State Government for expansion of a factory within certain prescribed limits. Various safety precautions have been taken by the State Government to prevent persons to enter any confined space unless a written certificate has been given by a competent person and such person is wearing a suitable breathing apparatus. The occupier of a factory which is engaged in a hazardous process is required to inform the Chief Inspector within 30 days before the commencement of such process. An Inquiry Committee will be appointed by the Central Government to inquire into the standards of health and safety observed in the factory.

Contract Labour (Regulation and Abolition) Act, 1970

The Contract Labour (Regulation and Abolition) Act, 1970, as amended (the "CLRA"), requires establishments that employ or have employed on any day in the previous 12 months, 20 or more workmen as contract labour to be registered and prescribes certain obligations with respect to the welfare and health of contract labour.

The CLRA requires the principal employer of an establishment to which the CLRA applies to make an application to the registering officer in the prescribed manner for registration of the establishment. In the absence of registration, contract labour cannot be employed in the establishment. Likewise, every contractor to whom the CLRA applies is required to obtain a licence and not to undertake or execute any work through contract labour except under and in accordance with the licence issued.

To ensure the welfare and health of the contract labour, the CLRA imposes certain obligations on the contractor including the establishment of canteens, rest rooms, drinking water, washing facilities, first aid facilities, other facilities and payment of wages. However, in the event the contractor fails to provide these amenities, the principal employer is under an obligation to provide these facilities within a prescribed time period. Penalties, including both fines and imprisonment, may be imposed for contravention of the provisions of the CLRA.

Minimum Wages Act, 1948

State governments may stipulate the minimum wages applicable to a particular industry. The minimum wages may consist of a basic rate of wages and a special allowance; or a basic rate of wages and the cash value of the concessions in respect of supplies of essential commodities; or an all-inclusive rate allowing for the basic rate, the cost of living allowance and the cash value of the concessions, if any. Workmen are to be paid for overtime at overtime rates stipulated by the appropriate government.

Contravention of the provisions of this legislation may result in imprisonment for a term up to six months or a fine up to Rs. 500 or both.

The Ministry of Labour and Employment have *vide* Office Memorandum dated June 17, 2014 proposed certain amendments to the Minimum Wages Act, 1948 which include the revision of the minimum wages payable to the employees at intervals of not exceeding 5 years due to the rise in the Consumer Price Index; All scheduled employments need not be individually represented in the Advisory Boards/Committees/Sub-Committees.

Workmen's Compensation Act, 1923

The Workmen's Compensation Act, 1923 ("***WCA***") has been enacted with the objective to provide for the payment of compensation to workmen by employers for injuries by accident arising out of and in the course of employment, and for occupational diseases resulting in death or disablement. The WCA makes every employer liable to pay compensation in accordance with the WCA if a personal injury/disablement/loss of life is caused to a workman (including those employed through a contractor) by accident arising out of and in the course of his employment. In case the employer fails to pay compensation due under the WCA within one month from the date it falls due, the commissioner appointed under the WCA may direct the employer to pay the compensation amount along with interest and may also impose a penalty.

Payment of Bonus Act, 1965

Pursuant to the Payment of Bonus Act, 1965, as amended (the "Bonus Act"), an employee in a factory or in any establishment where 20 or more persons are employed on any day during an accounting year, who has worked for at least 30 working days in a year is eligible to be paid a bonus.

Contravention of the provisions of the Bonus Act by a company is punishable with imprisonment for a term of up to six months or a fine of up to Rs. 1,000 or both, against persons in charge of, and responsible to our Company for the conduct of the business of our Company at the time of contravention.

Payment of Gratuity Act, 1972

Under the Payment of Gratuity Act, 1972, as amended (the "Gratuity Act"), an employee who has been in continuous service for a period of five years will be eligible for gratuity upon his retirement or resignation, superannuation or death or disablement due to accident or disease. However, the entitlement to gratuity in the event of death or disablement will not be contingent upon an employee having completed five years of continuous service.

The maximum amount of gratuity payable may not exceed Rs. 350,000.

An employee in a factory is said to be 'in continuous service' for a certain period notwithstanding that his service has been interrupted during that period by sickness, accident, leave, absence without leave, lay-off, strike, lock-out or cessation of work not due to the fault of the employee. The employee is also deemed to be in continuous service if the employee has worked (in an establishment that works for at least six days in a week) for at least 240 days in a period of 12 months or 120 days in a period of six months immediately preceding the date of reckoning.

Employees State Insurance Act, 1948

The Employees State Insurance Act, 1948 (the "ESI Act") provides for certain benefits to employees in case of sickness, maternity and employment injury. All employees in establishments covered by the ESI Act are required to be insured, with an obligation imposed on the employer to make certain contributions in relation thereto. In addition, the employer is also required to register itself under the ESI Act and maintain prescribed records and registers.

Employees Provident Fund and Miscellaneous Provisions Act, 1952

The Employees Provident Fund and Miscellaneous Provisions Act, 1952 (the "EPF Act") provides for the institution of compulsory provident fund, pension fund and deposit linked insurance funds for the benefit of employees in factories and other establishments. A liability is placed both on the employer and the employee to make certain contributions to the funds mentioned above.

Trade Unions Act, 1929

The legislation regulating these trade unions is the Indian Trade Unions Act, 1926. The Act deals with the registration of trade unions, their rights, their liabilities and responsibilities as well as ensures that their funds are utilised properly. It gives legal and corporate status to the registered trade unions. It also seeks to protect them from civil or criminal prosecution so that they could carry on their legitimate activities for the benefit of the working class. The Act is applicable not only to the union of workers but also to the association of employers.

According to the Trade Unions Act, 1926, 'trade union' means "any combination, whether temporary or permanent, formed primarily for the purpose of regulating the relations between workmen and employers or between workmen and workmen or between employers and employers, or for imposing restrictive conditions on the conduct of any trade or business, and includes any federation of two or more trade unions.

The registered trade unions are required to submit annual statutory returns to the Registrar regarding their membership, general funds, sources of income and items of expenditure and details of their assets and liabilities, etc
As per the Trade Union (Amendment) Act, 2001 a trade union will be registered only if at least ten per cent or one hundred of the workmen, whichever is less, engaged or employed in the establishment or industry with which it is connected are the members of such Trade Union on the date of making of application for registration and not less than seven persons as its members, who are workmen engaged or employed in the establishment or industry with which it is connected

Shops and Commercial Establishments Acts

The Shops and Establishments Act, 1953 was enacted to provide statutory obligation and rights to employees and employers in the unorganised sector of employment, i.e. shops and establishments. It is applicable to all persons employed in an establishment with or without wages, except the members of the employer's family. It is a State legislation and each State has framed its own rules for the Act.

The State Government can exempt, either permanently or for a specified period, any establishments from all or any provisions of this Act. The Act provides for compulsory registration of shop/ establishment within thirty days of commencement of work and all communications of closure of an establishment within 15 days from its closing. It also lays down the hours of work per day and week as well as the guidelines for spread-over, rest interval, opening and closing hours, closed days, national and religious holidays, overtime work, etc.

Environment Regulation

Infrastructure projects must also ensure compliance with environmental legislation such as the Water (Prevention and Control of Pollution) Act 1974 (Water Pollution Act), the Air (Prevention and Control of Pollution) Act, 1981 (Air Pollution Act) and the Environment Protection Act, 1986 (Environment Act).

The Water Pollution Act aims to prevent and control water pollution. This legislation provides for the constitution of a Central Pollution Control Board and State Pollution Control Boards. The functions of the Central Board include coordination of activities of the State Boards, collecting data relating to water pollution and the measures for the prevention and control of water pollution and prescription of standards for streams or wells. The State Pollution Control Boards are responsible for the planning for programmes for prevention and control of pollution of streams and wells, collecting and disseminating information relating to water pollution and its prevention and control; inspection of sewage or trade effluents, works and plants for their treatment and to review the specifications and data relating to plants set up for treatment and purification of water; laying down or annulling the effluent standards for trade effluents and for the quality of the receiving waters; and laying down standards for treatment of trade effluents to be discharged. This legislation debars any person from establishing any industry, operation or process or any treatment and disposal system, which is likely to discharge trade effluent into a stream, well or sewer without taking prior consent of the State Pollution Control Board.

The Central and State Pollution Control Boards constituted under the Water Pollution Act are also to perform functions as per the Air Pollution Act for the prevention and control of air pollution. The Air Pollution Act aims for the prevention, control and abatement of air pollution. It is mandated under this Act that no person can, without the previous consent of the State Board, establish or operate any industrial plant in an air pollution control area.

The Environment Act has been enacted for the protection and improvement of the environment. The Act empowers the central government to take measures to protect and improve the environment such as by laying down standards for emission or discharge of pollutants, providing for restrictions regarding areas where industries may operate and so on. The central government may make rules for regulating environmental pollution.

With respect to forest conservation, the Forest (Conservation) Act, 1980 prevents state governments from making any order directing that any forest land be used for a non-forest purpose or that any forest land is assigned through lease or otherwise to any private person or corporation not owned or controlled by the Government without the approval of the central government. The Ministry of Environment and Forests mandates that Environment Impact Assessment (EIA) must be conducted for projects. In the process, the Ministry receives proposals for the setting up of projects and assesses their impact on the environment before granting clearances to the projects.

Hazardous Waste (Management & Handling) Rules, 1989

The Government of India promulgated the Hazardous Waste (Management & Handling) Rules, 1989 through the Ministry of Environment and Forests (MOEF) under the aegis of Environment (Protection) Act 1986. The objective of Hazardous Waste (Management and Handling) Rules is to control the generation, collection, treatment, import, storage, and handling of hazardous waste. Under the Hazardous Waste (Management and Handling) Rules, hazardous wastes are divided into 18 different categories, such as metal finishing wastes, Waste containing water soluble chemical compounds of lead, copper, zinc, chromium, nickel, selenium, barium and antimony, Wastes from paints, pigments, glue, varnish, printing ink, etc. The Rules further detail the role and responsibilities of the waste generators; state/central pollution controls boards and state Government.

As per the Hazardous Waste (Management & Handling) Amendment Rules, 2003 a list of hazardous wastes has been enlisted and those hazardous wastes which are prohibited or permitted from import or export and the process of and the corresponding wastes.

Manufacture, Storage and Import of Hazardous Chemicals Rules, 1989.

The Government of India promulgated the Manufacture, Storage and Import of Hazardous Chemicals Rules, 1989 through the Ministry of Environment and Forests (MOEF) under the aegis of Environment (Protection) Act 1986.

The objective of the Rules is to control and regulate the transport, storage and utilisation of hazardous chemicals in an industrial undertaking.

Trade Marks Act, 1999

The Indian law on trademarks is enshrined in the Trade Marks Act, 1999. Under the existing legislation, a trademark is a mark used in relation to goods so as to indicate a connection in the course of trade between the goods and some person having the right as proprietor to use the mark. A 'mark' may consist of a word or invented word, signature, device, letter, numeral, brand, heading, label, name written in a particular style and so forth. The trademark once applied for, is advertised in the trademarks journal, oppositions, if any are invited and after satisfactory adjudications of the same, a certificate of registration is issued. The right to use the mark can be exercised either by the registered proprietor or a registered user. The present term of registration of a trademark is ten years, which may be renewed for similar periods on payment of prescribed renewal fee.

Patents Act, 1970

The Patents Act, 1970 (**"Patents Act"**) governs the patent regime in India. Historically, India granted patent protection only to processes and not to products in respect of food, medicine or drugs. However, as a signatory to the Agreement on Trade Related Aspects of Intellectual Property Rights ("**TRIPS**"), India was required to ensure that its patent laws were in compliance with the TRIPS by January 1, 2005. Under this new patent regime, India is required to recognize product patents as well as process patents.

In addition to broad requirement that an invention satisfy the requirements of novelty, utility and non-obviousness in order for it to avail patent protection, the Patents Act further provides that patent protection may not be granted to certain specified types of inventions and materials even if they satisfy the above criteria. The term of a patent granted under the Patents Act is for a period of twenty years from the date of filing of the application for the patent. The Patents Act deems that computer programs *per se* are not 'inventions' and are therefore, not entitled to patent protection. This position was diluted by The Patents Amendment Ordinance, 2004, which included the following as patentable subject matter:

- Technical applications of computer programs to industry; and
- Combinations of computer programs with the hardware.

However, the Patents Amendment Act, 2005 does not include this specific amendment and consequently, the Patents Act, as it currently stands, disentitles computer programs *per se* from patent protection. The public use or publication of an invention prior to the making of an application for a patent, may disentitle the said invention to patent protection on the grounds of lack of novelty. Under the Patents Act, an invention will be regarded as having ceased to be novel (and hence not patentable), inter alia, by the existence of:

- any earlier patent on such invention in any country;
- prior publication of information relating to such invention;
- an earlier product showing the same invention; or
- a prior disclosure or use of the invention that is sought to be patented.

Following its amendment by the Patents Amendment Act, 2005, the Patents Act permits opposition to grant of a patent to be made, both pre-grant and post-grant. The grounds for such patent opposition proceedings, *inter alia*, include lack of novelty, inventiveness and industrial applicability, non-disclosure or incorrect mention of source and geographical origin of biological material used in the invention and anticipation of invention by knowledge (oral or otherwise) available within any local or indigenous community in India or elsewhere.

The proviso to section 11A (7) has been introduced in the Patents Act to provide protection to those Indian enterprises which have made significant investment and have been producing and marketing a product prior to January 1, 2005, for which a patent has been granted through an application made under section 5(2) of the Patents Act and have continued to manufacture the product covered by the patent on the date of grant of the patent. In such a case, the patent-holder shall only be entitled to receive reasonable royalty from such enterprises and cannot institute infringement proceedings against such enterprises.

Under section 47 of the Patents Act, the patent is only conditional and it enables the GoI to import, make or use any patent for its own purpose. In the case of drugs, the GoI can also import patented drugs for the purpose of public health distribution. This is complimented by sections 100 and 101 of the Patents Act. Compulsory licensing is also provided under Chapter XVI in order to protect public interest and mainly public health.

The Patents Act also prohibits any person resident in India from applying for patent for an invention outside India without making an application for the invention in India. Following a patent application in India, a resident must wait for six weeks prior to making a foreign application or may obtain the written permission of the Controller of Patents to make foreign applications prior to this six week period. Patents are territorial by nature, as a result of which an invention patented in one country does not enjoy protection in another country. The Patent Cooperation Treaty to which India is a signatory tries to fill this lacuna to an extent and makes it possible to seek patent protection for an invention simultaneously in each of a large number of countries through a single application process.

Design Act, 2000

Industrial designs refer to creative activity which result in the ornamental or formal appearance of a product and design right refers to a novel or original design that is accorded to the proprietor of a validly registered design. Industrial designs are an element of intellectual property. The minimum standards of protection of industrial designs have been provided for, under the TRIPS Agreement. As a developing country, India has already amended its national legislation to provide for these minimal standards.

The essential purpose of design law it to promote and protect the design element of industrial production. It is also intended to promote innovative activity in the field of industries. The existing legislation on industrial designs in India is contained in the Designs Act, 2000 and this Act will serve its purpose well in the rapid changes in technology and international developments. India has also achieved a mature status in the field of industrial designs and in view of globalization of the economy, the present legislation is aligned with the changed technical and commercial scenario and made to conform to international trends in design administration.

Under the Designs Act, 2000, designs of articles, which serve the purpose of visual appeal, are registrable. The designs should represent a shape, configuration, pattern, or ornamentation of an article. The design should be capable of being applied to an article to enhance its appeal to the eye e.g. shape of pen, combs, pressure cooker or ornamentation on carpet etc. which add only aesthetic value of the article.

Design should be incorporated to the article by an industrial process or means. Therefore mere painting of natural scene will not be considered as a subject matter for registration. Designs, which are solely functional, or the principle or the mode of construction of an article shall not be the subject matter of registration.

Designs Rules, 2001:

In the Third Schedule of Designs Rules, 2001 the classification of goods has been mentioned. Classification is based on Locarno Agreement. Only one class number is to be mentioned in one particular application.

The classification of goods is on the basis of articles. Articles are grouped into 32 classes and further divided into sub-classes. The classification of articles is function oriented (e.g. class 1- Foodstuffs, class 2- Articles of clothing and haberdashery class 3- Travel goods, cases, parasols and personal belongings etc.) A design cannot be registered in more than one class.

The design should be new or original, not previously published or used in any country before application for registration; The design should relate to the feature of a shape, configuration, pattern or ornamentation applied or applicable to any article; The design should be applied or applicable to any article by way of any industrial process or means; The design should be visible on the finished article; The design should not be a mode or principle of construction or operation or anything, which is a functional component of the device; The design should not comprise of a trademark or property mark or artistic work as defined under the Copyright Act; The design should not be contrary to public order or morality.

Foreign Exchange Management Act, 1999

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991 of the Government of India and Foreign Exchange Management Act, 1999 ("FEMA"). The FEMA is the primary exchange control law in India and must be complied with by any foreign investor with regard to its entry and operations in India. While the Industrial Policy, 1991 prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy; FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of the Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment.

The transfer of Equity Shares of NRIs, FIIs, and Foreign Venture Capital Investors registered with SEBI and Multilateral and Bilateral Development Financial institutions shall be subject to the conditions as may be prescribed by the Government of India or RBI while granting such approvals.

Excise Regulations

The Central Excise Act, 1944 seeks to impose an excise duty on excisable goods which are produced or manufactured in India. The rate at which such a duty is imposed is contained in the Central Excise Tariff Act, 1985.However, the Indian Government has the power to exempt certain specified goods from excise duty by notification.

Value Added Tax

VAT levies are administered by applicable Value Added Tax legislations and rules thereunder. VAT is a multi-stage tax levied at each stage of the value addition chain, with a provision to allow input tax credit on tax paid at an earlier stage, which can be appropriated against the VAT liability on subsequent sale. Only the value addition in the hands of each of the entities is subject to tax.

Income Tax

In addition to prescribing regulations for computation of tax liability on income, the Income Tax Act provides that any company deducting tax must apply to the assessing officer for the allotment of a tax deduction account number. Furthermore, the legislation requires every taxpayer to apply to the assessing officer for a permanent account number.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Overview

Our Board currently consists of (9) Directors. Our senior management team is under the overall supervision and control of our Board, and is responsible for our day-to-day operations. Our Articles of Association provide that the number of directors (excluding debenture and alternate directors) shall not be less than three or more than 12. Further, our Articles of Association provides that one-third of the strength of the Board of Directors shall be liable to retire by rotation or if their number is not three or a multiple of three, the number nearest to one-third shall retire from office at every AGM. A retiring Director shall be eligible for re-appointment. The quorum for a meeting of the Board shall be one-third of its total strength (excluding Directors, if any, whose places may be vacant at the time and any fraction contained in one third being rounded off as one) or two directors whichever is higher. Provided that where at any time the number of interested Directors exceeds or is equal to two-third of the total strength the number of the remaining Directors, that is to say, the number of Directors who are not interested, present at the meeting, being not less than two, shall be the quorum during such time.

The Companies Act, 2013, provides that not less than two-thirds of the total number of directors, excluding the independent directors, shall be liable to retire by rotation. One-third of the directors shall automatically retire every year at the annual general meeting and shall be eligible for re-appointment. The directors to retire by rotation shall be decided based on those who have been longest in office, and as between persons appointed on the same day, the same shall be decided by mutual agreement or by draw of lots. On account of the recent enactment of the Companies Act, 2013, the Board of Directors of the Company presently does not include requisite number of directors liable to retire by rotation. Our Company will take necessary steps to comply with the applicable provisions of the Companies Act, 2013. The independent directors may be appointed for a maximum of two terms of up to five consecutive years each; however, such directors are eligible for re-appointment after the expiry of three years of ceasing to be an independent director provided that such directors are not, during the three year period, appointed in or associated with our Company in any other capacity, either directly or indirectly. Any reappointment of independent directors, *inter alia*, shall be on the basis of performance evaluation report and requires the approval of the shareholders by way of a special resolution.

Directors

The following table sets forth details regarding the Board as on the date of this Preliminary Placement Document:

Sr. No.	Name, Address, Occupation, DIN, Term and Nationality	Age	Designation
1.	**Mr. Vijai Kapur*** **Address:** 1300-B, Beverly Park II, MG Road, DLF City, Phase II, Gurgoan 122002, Haryana, India **Occupation:** Professional **DIN:** 00056415 **Term:** 3 years with effect from August 14, 2014 **Nationality**: Indian	83	Chairman (Independent and Non-Executive Director)
2.	**Mr. Udayant Malhoutra** **Address:** A-1/3, Cornwell Road, Bangalore – 560027, Karnataka, India. **Occupation:** Industrialist	48	Managing Director (Executive and Non Independent)

Sr. No.	Name, Address, Occupation, DIN, Term and Nationality	Age	Designation
	DIN: 00053714 **Term:** 3 years with effect from October 1, 2014 **Nationality**: Indian		
3.	**Mr. Govind Manik Mirchandani** **Address:** 301, 8th A Main III Cross, 4th Block, Koramangala, Bangalore – 560 034, Karnataka, India **Occupation:** Professional **DIN:** 00022583 **Term:** 4 years with effect from August 14, 2014 **Nationality**: Indian	63	Director (Independent and Non-Executive Director)
4.	**Mr. Krishnaswamy Srinivasapuram** **Address:** V-32/16A & B, DLF Phase-III DLF City, Gurgaon, 122002, Haryana, India **Occupation:** Professional **DIN:** 00056250 **Term:** 3 years with effect from August 14, 2014 **Nationality**: Indian	71	Director (Independent and Non-Executive Director)
5.	**Mr. Nalini Ranjan Mohanty** **Address:** Flat No 620-B4, Yamuna Block, NGV Koramangala, Bangalore 560047, Karnataka, India. **Occupation:** Professional **DIN:** 00237732 **Term:** 5 years with effect from August 14, 2014 **Nationality:** Indian	69	Director (Independent and Non-Executive Director)
6.	**Mr. Raymond Keith Lawton** **Address:** 23, Featherwood, Westlea, Swindon,Wiltshire, SN5 7AG, United Kingdom **Occupation:** Professional	61	Director (Non-Independent and Non-Executive Director)

Sr. No.	Name, Address, Occupation, DIN, Term and Nationality	Age	Designation
	DIN: 01687605 **Term:** Liable to retire by rotation **Nationality:** British		
7.	**Ms. Malavika Jayaram** **Address:** 309 Lalehzar Apartments, 45/1 Palace Road, Bangalore, 560001, Karnataka, India **Occupation: Lawyer** **DIN:** 02252302 **Term:** 4 years with effect from August 14, 2014 **Nationality:** GBR	43	Director (Independent and Non-Executive Director)
8.	**Mr. Ramesh Venkataraman** **Address:** F-84, Anna Nagar East, Chennai-600 102, Tamil Nadu, India **Occupation:** Service **DIN:** 03545080 **Term:** 5 years with effect from August 14, 2014 **Nationality:** Indian	48	Director (Independent and Non-Executive Director)
9.	**Mr. Dietmar Hahn** **Address:** Breitenbrunn / Erzgeb, Ortsteil Antonsthal, Germany **Occupation:** Service **DIN:** 06414463 **Term:** Liable to retire by rotation **Nationality:** German	56	Director (Non-Independent and Non-Executive Director)

***** *As per the Form DIR 12 the name read as Vijay Kapur, however the name as reflected on the passport is Vijai Kapur*

Vijai Kapur– Chairman and Director

Vijai Kapur, aged 83 years is the Chairman of our Company. Mr Kapur has been associated with our Company in the capacity of a director since January 31, 1992. He holds a Bachelor's degree in Science from University of London.

Udayant Malhoutra– Managing Director

Udayant Malhoutra, aged 48 years is the Chief Executive Officer and Managing Director of our Company. He has been associated with our Company in the capacity of an Executive Director since 1989. He holds a Bachelor's degree in Commerce from University of Bombay. He was the Chairman of CII National Committee on Design and a member of CII National Council for the year 2013-2014

Govind Manik Mirchandani – Director

Govind Manik Mirchandani, aged 63 years is the Independent and Non-Executive Director of our Company. He has been associated with our Company in the capacity of a director since June 27, 2008. He has obtained a Degree in Bachelor of Technology from Indian Institute of Technology, Mumbai. He holds Post Graduate Diploma in Management from Indian Institute of Management, Kolkata.

Krishnaswamy Srinivasapuram – Director

Krishnaswamy Srinivasapuram, aged 71 years is the Independent and Non-Executive Director of our Company. He has been associated with our Company in the capacity of a director since June 7, 2005. He holds a degree in Master of Science in Defence Studies from University of Madras. He became the 19th Chief of Air Staff on December 31, 2001. He was commissioned in the Indian Air Force in 1961. He is a recipient of Param Vishist Seva Medal and Vayu Sena Medal and "Agni award for Self Reliance" in August 1999.

Nalini Ranjan Mohanty– Director

Nalini Ranjan Mohanty, aged 69 years is the Independent and Non-Executive Director of our Company. He has been associated with our Company in the capacity of a director since September 27, 2013. He holds a Bachelor's degree in Mechanical Engineering from Utkal University.

Raymond Keith Lawton– Director

Raymond Keith Lawton, aged 61 years is the Non Independent and Non-Executive Director of our Company. He has been associated with our Company in the capacity of a director since July 31, 2007. He was awarded Management Fellowship in Management and Training Development from Engineering Industry Training Board in March 19, 1981. He was elected as a member of the Institution of Manufacturing Engineers on April 25, 1991. He is Managing Director of Dynamatic Limited, UK.

Malavika Jayaram– Director

Malavika Jayaram, aged 43 years is the Independent and Non-Executive Director of our Company. She has been associated with our Company in the capacity of a director since June 27, 2008. She is a lawyer and has completed her integrated BA-LLB in 1994 from the National Law School of India, Bangalore in the year 1994. At present Malavika is a partner in Jayaram & Jayaram, a law firm in India.

Ramesh Venkataraman– Director

Ramesh Venkataraman, aged 48 years is the Independent and Non-Executive Director of our Company. He has been associated with our Company in the capacity of a director since November 8, 2013. He holds a Bachelor's degree in electronics and communications engineering from the Indian Institute of Technology-Kharagpur, a Master of Philosophy in international Relations from Oxford University and a Master in Public Affairs in Economics and public Policy from Princeton University Woodrow Wilson School of Public and international Affairs. He is a senior partner of Samena Capital management LLP and Head of Private Equity.

Dietmar Hahn– Director

Dietmar Hahn, aged 56 years is the Non Independent and Non-Executive Director of our Company. He has been associated with our Company in the capacity of a director since November 8, 2012. He holds a Bachelor's degree in Foundry Engineering, from University of Freiberg, Germany. He also holds Certificate of eligibility for University entrance, ,Certificate for further education in "product liability law" , Certificate for further education in "advanced product quality planning ,"Certificate for further education in "business English for beginners", Certificate for further education in "technics of failures mode and effects analyses" and Certificate for further education in" project manager. He is associated with Eisenberg Erla GMBH.

Relationship with other Directors

None of our directors are related to each other as defined under Companies Act and SEBI ICDR Regulations.

Borrowing powers of the Board

The Board of Directors *vide* a resolution dated May 28, 2014 is authorised to borrow money upon such terms and conditions as the Board may think fit and may exceed the aggregate of the paid up share capital and free reserves, provided that the aggregate amount of its borrowings shall not exceed Rs. 500 Crores.

Interest of Directors

Our Directors may be deemed to be interested to the extent of any fees payable to them for attending meetings of the Board or a committee thereof as well as to the extent of any reimbursement of expenses payable to them under our Articles of Association. Our Directors may also be deemed to be interested to the extent of remuneration paid to them for services rendered as an officer or employee of our Company.

Our Directors may also be regarded as interested in the Equity Shares held by them, if any, or that may be subscribed by or allotted to their relatives or the companies, firms or trusts, in which they are interested as directors, members, partners, trustees or promoters. Our Directors may also be deemed to be interested to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares.

There are no existing or potential conflicts of interest between any duties owed to our Company by the Directors and the private interests or external duties of the Directors. As part of their investment portfolio, certain of the Directors may from time to time hold direct or beneficial interests in securities of our Company or other companies, with which our Company has engaged or may engage in transactions, including those in the ordinary course of business. Our Company does not believe that the holdings in such other companies create a conflict of interest because transactions typically engaged between the issuers of such securities and our Company are not likely to have a material effect on the prices of such securities.

Except as disclosed in this Preliminary Placement Document, and except to the extent of shareholding in our Company, our Directors do not have any economic interest in our Company. As of March 31, 2014, there were no outstanding transactions other than in the ordinary course of business undertaken by our Company in which the Directors were interested parties.

Except as otherwise disclosed in this Preliminary Placement Document, our Company has not entered into any contract, agreement or arrangement in which any of the Directors are interested, directly or indirectly, and no payments have been made to them in respect of any such contracts, agreements or arrangements or are proposed to be made. Furthermore, the Directors or their relatives and any entity in which the Directors are interested have not taken any loans from our Company.

Remuneration of Udayant Malhoutra – Chief Executive Officer and Managing Director

Pursuant to a resolution passed by the Board of Directors at the meeting held on May 28, 2014, Udayant Malhoutra was appointed as Chief Executive Director and Managing Director for a period of three years with effect from October 1, 2014.

The details of remuneration which will be paid to Udayant Malhoutra for the Fiscal year ended March 31, 2015 as revised and approved by the Shareholders of our Company in their meeting held on August 14, 2014 are as under:

Category	Particulars
Basic Salary	Salary per month Rs 7 lacs per month in the scale of Rs. 6 lacs to Rs. 25 lacs
Perquisites and Allowances	Category A Housing: Our Company will provide unfurnished accommodation, subject to the condition that expenditure by our Company on hiring such accommodation will not exceed one month's Basic salary Medical reimbursement: Medical expenses will be paid by our Company for Mr Udayant Malhoutra and his family, viz. wife, dependent children and dependant parents, subject to ceiling of one month's basic salary in a year. Leave Travel Concession: Mr Udayant Malhoutra will be paid the expenses incurred on actual basis, subject to a ceiling of on month's basic salary in a year, in accordance with the Rules of our Company, for himself, his wife, dependent children and dependant parents. Club Fees: Club Fees will be paid subject to a maximum of two clubs, which will not include admission and life membership fees.
Other Allowance	Category B Provident Fund: He shall be entitled to Company's contribution to PF as per prevailing Rules. Gratuity: He shall be paid as per provisions of the Payment of Gratuity Act. Category C Telephone: He will be provided with a telephone at his residence for the purpose of Company's business.

The remuneration expended by our Company to its Executive Directors in the Fiscal 2015 (For the period April 1, 2014 up to September 30, 2014), Fiscal 2014, Fiscal 2013 and Fiscal 2012 is stated below:

(Rs. in Lacs)

Financial Year	Total Remuneration
Period April 1, 2014 up to September 30, 2014	
Udayant Malhoutra	**10.25**
Fiscal 2014	
Udayant Malhoutra	**48.00**
Fiscal 2013	
Udayant Malhoutra	**54.00**
Fiscal 2012	
Udayant Malhoutra	**52.00**

Non-Executive Directors' Compensation

The following table sets forth all compensation paid by our Company to the current Non-Executive Directors for the current Financial Year 2015 (to the extent applicable), i.e., for period between April 1, 2014 and September 30, 2014.

(Rs. in Lacs)

Name of Director	Total Compensation
Govind Manik Mirchandani	1.65
Krishnaswamy Srinivasapuram	1.85
Vijai Kapur	1.40
Nalini Ranjan Mohanty	1.45
Raymond Keith Lawton	0.45
Malavika Jayaram	1.30

Ramesh Venkataraman	0.80
Dietmar Hahn	0.80

The following table sets forth all compensation expended by our Company to the current Non-Executive Directors for Fiscal 2014, Fiscal 2013 and Fiscal 2012:

(Rs. in Lacs)

Name of Director	Fiscal 2014	Fiscal 2013	Fiscal 2012
Govind Manik Mirchandani	1.65	1.35	1.05
Krishnaswamy Srinivasapuram	1.95	2.40	2.25
Vijai Kapur	1.80	1.05	1.50
Nalini Ranjan Mohanty	0.45	Nil	Nil
Raymond Keith Lawton	0.75	1.05	1.20
Malavika Jayaram	0.45	0.45	0.90
Ramesh Venkataraman	0.15	Nil	Nil
Dietmar Hahn	0.60	0.15	Nil
Total	**7.8**	**6.45**	**6.9**

The criteria for making payment of remuneration to the Non-executive Directors are as follows:

a. As on March 31, 2014 an amount of Rs. 15,000/- per meeting was paid towards sitting fee for attending meetings of the Board to the non-executive Directors in accordance with Rule 10B of the Companies (Central Government's) General Rules & Forms, 1956, as amended.

Corporate Governance

Our Company is required to comply with applicable corporate governance requirements, including the Listing Agreements with the Stock Exchanges and the ICDR Regulations in respect of the constitution of the Board and committees thereof. The corporate governance framework of our Company is based on an effective, independent Board of Directors, separation of the supervisory role of the Board of Directors from the executive management team and proper constitution of the committees of the Board of Directors.

The Board of Directors functions either as a full Board or through various committees constituted to oversee specific operational areas. The executive management of our Company provides the Board of Directors with detailed reports on the performance of our Company periodically. Although our Company has been complying with the requirements of the applicable regulations, including the Listing Agreement with the Stock Exchanges and the SEBI guidelines, we are currently in the process of complying with other corporate governance requirements under the Companies Act, 2013. Also, our Company is required to comply with new corporate governance requirements under clause 49 of the Listing Agreement with effect from October 01, 2014. Our Company is currently complaint with the requirements of the clause 49 of the Listing Agreement.

Committee of the Board of Directors

The Board of Directors has three committees, which have been constituted and function in accordance with the relevant provisions of the Companies Act and the Listing Agreement: (i) Audit Committee, (ii) Nomination and Remuneration Committee, (iii) Shareholders Committee, (iv) Technology Development Committee, (v) Finance Committee and (vi)Corporate Social Responsibility Committee

The following table sets forth the details of the members of the aforesaid committees:

Committee	Members
Audit Committee	Vijai Kapur (Chairman), S. Krishnaswamy , Govind Mirchandani
Nomination and Remuneration Committee	S. Krishnaswamy (Chairman), Vijai Kapur, Govind Mirchandani
Shareholders Committee	S. Krishnaswamy(Chairman), Udayant Malhoutra, Govind

	Mirchandani
Technology Development Committee	Nalini Ranjan Mohanty (Chairman), S. Krishnaswamy, Raymond Keith Lawton, Dietmar Hahn, Malavika Jayaram, Udayant Malhoutra
Finance Committee	Govind Mirchandani, Udayant Malhoutra, Malavika Jayaram, N R Mohanty
Corporate Social Responsibility Committee	Govind Mirchandani, Raymond Keith Lawton, Malavika Jayaram,

Senior Managerial Personnel

Under the provisions of the Companies Act, the management of the whole of the affairs of a company is entrusted to a managing director who exercises his powers subject to the superintendence, control and direction of the board of directors.

The table below sets out the names of our senior managerial personnel and their current responsibilities.

Name	Designation	Year of joining
Naveen Prakash	Company Secretary and Compliance Officer	May 22, 2013
Hanuman Kumar Sharma	Chief Financial Officer	August 24, 2012

All the senior management personnel are permanent employees of our Company.

Remuneration of Senior Managerial Personnel

For the Fiscal year ended March 31, 2014 the aggregate remuneration paid and benefits in kind granted to senior managerial personnel (excluding the Managing Director) was Rs. 65.15 Lacs.

Interests of Senior Managerial Personnel

The senior managerial personnel of our Company do not have any interest in our Company other than to the extent of the remuneration or benefits to which they are entitled to as per their terms of appointment. None of our senior managerial personnel held any Equity Shares as on September 30, 2014.

Employees' Stock Option Plan

Our Company has no employees' stock option plan in force as on date of this Preliminary Placement Document.

Loans to Senior Managerial Personnel

As on September 30, 2014, there are no loans and advances which are due in aggregate to our Company, from senior managerial personnel pursuant to their terms of employment. Our Company has not given any guarantees in favour of any Director or any member of our senior managerial personnel.

Related Party Transactions

Related party transactions entered by our Company during the last three Financial Years are determined in accordance with Accounting Standard 18 issued by the ICAI. For further details, see the section "***Financial Statements – Related Party Transactions***" beginning on page 148.

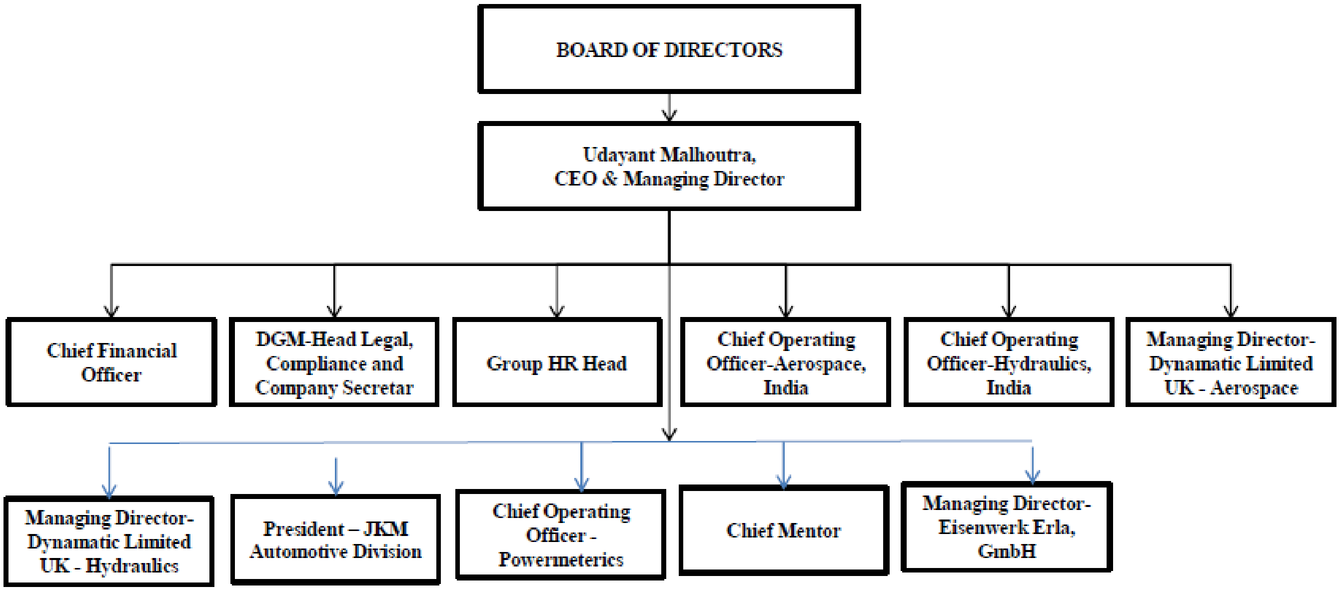
Prevention of Insider Trading Policy

In compliance with the Insider Trading Regulations, our Company has formulated, adopted and implemented the "Model Code of Conduct for Prevention of Insider Trading".

Other Confirmations

None of our Directors, or our Promoter or any Senior Managerial Personnel of our Company has any financial or other material interest in this Issue and there is no effect of such interest in so far as it is different from the interests of other persons.

ORGANIZATION STRUCTURE



PRINCIPAL SHAREHOLDERS

The table below represents the shareholding pattern of our Company in accordance with clause 35 of the Listing Agreement, as on September 30, 2014:

Category of Shareholder	No. of Shareholders	Total No. of Shares	Total No. of Shares held in Dematerialized Form	Total Shareholding as a % of Total No. of Shares		Shares pledged or otherwise encumbered	
				As a % of (A+B)	As a % of (A+B+C)	Number of shares	As a % of Total No. of Shares
(A) Shareholding of Promoter and Promoter Group							
Indian							
a. Individual/Hindu Undivided Family	4	7,82,617	6,61,446	12.95	12.95	0	0.00
b. Central Government/ State Governments	0	0	0	0.00	0.00	0	0.00
c. Bodies Corporate	10	24,64,628	23,01,675	40.80	40.80	4,50,000	18.26
d. Financial Institutions / Banks	0	0	0	0.00	0.00	0	0.00
e. Any other (Specify)	0	0	0	0.00	0.00	0	0.00
Sub Total A(1)	**14**	**32,47,245**	**29,63,121**	**53.75**	**53.75**	**4,50,000**	**13.86**
Foreign							
a. Individual (Non resident Individuals / Foreign individuals)	0	0	0	0.00	0.00	0	0.00
b. Bodies Corporate	0	0	0	0.00	0.00	0	0.00
c. Institutions	0	0	0	0.00	0.00	0	0.00
d. Qualified Foreign Investor	0	0	0	0.00	0.00	0	0.00

Category of Shareholder	No. of Shareholders	Total No. of Shares	Total No. of Shares held in Dematerialized Form	Total Shareholding as a % of Total No. of Shares		Shares pledged or otherwise encumbered	
				As a % of (A+B)	As a % of (A+B+C)	Number of shares	As a % of Total No. of Shares
e. Any other (Specify)	0	0	0	0.00	0.00	0	0.00
Sub Total A(2)	**0**	**0**	**0**	**0.00**	**0.00**	**0**	**0.00**
Total shareholding of Promoter and Promoter Group (A)= (A)(1) +(A)(2)	**14**	**32,47,245**	**29,63,121**	**53.75**	**53.75**	**4,50,000**	**13.86**
(B) Public Shareholding							
(I) Institutions							
a. Mutual Funds/ UTI	4	29,450	18,947	0.49	0.49	-	-
b. Financial Institutions / Banks	3	392	392	0.01	0.01	-	-
c. Central Government/ State Governments	0	0	0	0.00	0.00	-	-
d. Venture capital Funds	0	0	0	0.00	0.00	-	-
e. Insurance Companies	0	0	0	0.00	0.00	-	-
f. Foreign Institutional Investors	9	10,86,111	10,86,111	17.98	17.98	-	-
g. Foreign Venture Capital Investors	0	0	0	0.00	0.00	-	-
h. Qualified Foreign Investor	0	0	0	0.00	0.00	-	-
i. Any other (Specify) - Foreign Banks	0	0	0	0.00	0.00	-	-
Sub Total B(1)	**16**	**11,15,953**	**11,05,450**	**18.47**	**18.47**	-	-

Category of Shareholder	No. of Shareholders	Total No. of Shares	Total No. of Shares held in Dematerialized Form	Total Shareholding as a % of Total No. of Shares		Shares pledged or otherwise encumbered	
				As a % of (A+B)	As a % of (A+B+C)	Number of shares	As a % of Total No. of Shares
B (2) Non-Institutions							
a. Bodies Corporate	240	3,52,354	3,49,868	5.83	5.83	-	-
b. Individuals							
(i) Individual Shareholders holding Nominal Share Capital upto Rs.1 Lac	4,997	7,94,724	6,46,249	13.15	13.15	-	-
(ii) Individual Shareholders holding Nominal Share Capital in excess of Rs.1 Lac	11	5,12,479	5,12,479	8.48	8.48	-	-
c. Qualified Foreign Investor	0	0	0	0.00	0.00	-	-
d. Any other -	-	-	-	-	-	-	-
(i) Trusts	1	3,796	0	0.06	0.06	-	-
(ii) Clearing Members	45	1,955	1,955	0.03	0.03	-	-
(iii) Directors Relatives	-	-	-	-	-	-	-
(iv) Employee	-	-	-	-	-	-	-
(v) NRI	38	12,937	12,871	0.21	0.21		
(vii) Unclaimed Suspense Account	-	-	-	-	-	-	-
Sub Total B(2)	**5,332**	**16,78,245**	**15,23,422**	**27.78**	**27.78**	-	-
Total Public Shareholding (B)= (B)(1)+(B)(2)	**5,348**	**27,94,198**	**26,28,872**	**46.25**	**46.25**	-	-
TOTAL (A) + (B)	5,362	60,41,443	55,91,993	100.00	100.00	-	-

Category of Shareholder	No. of Shareholders	Total No. of Shares	Total No. of Shares held in Dematerialized Form	Total Shareholding as a % of Total No. of Shares		Shares pledged or otherwise encumbered	
				As a % of (A+B)	As a % of (A+B+C)	Number of shares	As a % of Total No. of Shares
Shares held by Custodians and against which Depository Receipts have been issued							
(1) Promoter and Promoter Group	-	-	-	-	-	-	-
(2) Public	0	0	0	0.00	0.00	-	-
Sub Total C	-	-	-	-	-	-	-
Grand Total (A) + (B) + (C)**	**5,362**	**60,41,443**	**55,91,993**	**100.00**	**100.00**	**4,50,000**	**7.45**

** Our Company has issued 1,21,171 equity shares to Udayant Malhoutra and 79,386 to Wavell Investments Private Limited on July 13, 2014 and 83,567 equity shares to Wavell Investments Private Limited on July 19, 2014 in respect of which a listing approval has not received from BSE.

The following table contains information as on September 30, 2014 concerning persons belonging to the Promoter and Promoter Group category:

Sr. No. (I)	Name of the Shareholder (II)	Details of Shares held		Encumbered shares (*)			Total Shares (including underlying shares assuming full conversion of warrants and Convertible securities) as a % of diluted share capital
		No. of Shares held (III)	As a % of (A+B+C) (IV)	Number of shares (V)	As a % (VI) = (V)/ (III) *100	As a % of Grand Total (A+B+C)	
1.	JKM Holdings Private Limited	9,12,538	15.10	70,000	7.67	1.16	15.10
2.	Udayant Malhoutra and Company Private Limited	6,42,011	10.63	3,80,000	59.19	6.29	10.63
3.	Udayant Malhoutra	6,25,043	10.35	0	0.00	0.00	10.35
4.	Udayant Malhoutra	31,465	0.52	0	0.00	0.00	0.52
5.	Udayant Malhoutra	1,21,171	2.01	0	0.00	0.00	2.01

Sr. No. (I)	Name of the Shareholder (II)	Details of Shares held		Encumbered shares (*)			Total Shares (including underlying shares assuming full conversion of warrants and Convertible securities) as a % of diluted share capital
		No. of Shares held (III)	As a % of (A+B+C) (IV)	Number of shares (V)	As a % (VI) = (V)/ (III) *100	As a % of Grand Total (A+B+C)	
6.	JKM Offshore India Private Limited	4,42,071	7.32	0	0.00	0.00	7.32
7.	Wavell Investments Private Limited	2,81,828	4.66	0	0.00	0.00	4.66
8.	Wavell Investments Private Limited	83,567	1.38	0	0.00	0.00	1.38
9.	Wavell Investments Private Limited	79,386	1.31	0	0.00	0.00	1.31
10.	Greenearth Biotechnologies Limited	22,927	0.38	0	0.00	0.00	0.38
11.	Barota Malhoutra	4,938	0.08	0	0.00	0.00	0.08
12.	Vita Private Limited	100	0.00	0	0.00	0.00	0.00
13.	Christine Hoden (India) Private Limited	100	0.00	0	0.00	0.00	0.00
14.	Primella Sanitary Products Private Limited	100	0.00	0	0.00	0.00	0.00
	Total	**32,47,245**	**53.75**	**4,50,000**	**13.86**	**7.45**	**53.75**

The following table contains information as on September 30, 2014 concerning each person in the "Public" category, who hold more than 1% or more of the Total number of Shares:

Sr. No.	Name of the Shareholder	No. of Shares held	Shares as % of Total No. of Shares	Total shares (including underlying shares assuming full conversion of warrants and convertible securities) as a % of diluted share capital
1.	Samena Special Situations Mauritius	4,67,455	7.74	7.74
2.	Citigroup Global Markets Mauritius Private Limited	3,73,327	6.18	6.18
3.	Alchemy India Long Term Fund Limited	1,50,000	2.48	2.48
4.	Ashish Kacholia	1,04,681	1.73	1.73

Sr. No.	Name of the Shareholder	No. of Shares held	Shares as % of Total No. of Shares	Total shares (including underlying shares assuming full conversion of warrants and convertible securities) as a % of diluted share capital
5.	Param Capital Research Private Limited	1,01,079	1.67	1.67
6.	Mukul Mahavir Prasad Agarwal	1,00,000	1.66	1.66
7.	Neha Sanghvi	82,000	1.36	1.36
8.	Lashit Sanghvi	82,000	1.36	1.36
	Total:	**14,60,542**	**24.18**	**24.18**

The following table contains information as on September 30, 2014 concerning persons (together with PAC) belonging to the category "Public" and holding more than 5% of the total number of Equity Shares:

Sr. No.	Name(s) of the shareholder(s) and the Persons Acting in Concert (PAC) with them	No. of Shares held	Shares as % of Total No. of Shares	Total shares (including underlying shares assuming full conversion of warrants and convertible securities) as a % of diluted share capital
1	Samena Special Situations Mauritius	4,67,455	7.74	7.74
2.	Citigroup Global Markets Mauritius Private Limited	3,73,327	6.18	6.18
	Total	**8,40,782**	**13.92**	**13.92**

The table below represents the detail of locked in shares:

Sr. No.	Name of the shareholder	Number of locked-in shares	Locked-in shares as a (%) percentage of total number of shares {i.e, Grand Total (A)+(B)+(C) Indicated in Statement at para (I)(a) above}	Promoter/Promoter Group/Public
1.	Udayant Malhoutra	2,17,269	3.60	Promoter
2.	Wavell Investments Private Limited	1,25,347	2.07	Promoter/Promoter Group
3..	Udayant Malhoutra	1,21,171	2.01	Promoter
4.	Wavell Investments Private Limited	83,567	1.38	Promoter/Promoter Group
5.	Wavell Investments Private Limited	79,386	1.31	Promoter/Promoter Group
	Total	**6,26,740**	**10.37**	

ISSUE PROCEDURE

The following is a summary intended to present a general outline of the procedure relating to the application, payment, Allocation and Allotment of the Equity Shares to be issued pursuant to the Issue. The procedure followed in the Issue may differ from the one mentioned below, and investors are presumed to have apprised themselves of the same from our Company or the Book Running Lead Managers. Investor is advised to inform themselves of any restrictions or limitations that may be applicable to them. See the sections ***"Selling Restrictions"*** *and* ***"Transfer Restrictions"*** *beginning on pages 121 and 122, respectively.*

Qualified Institutions Placement

This Issue is being made only to Eligible QIBs and the Equity Shares in this Issue will not in any circumstance be offered to persons in any jurisdiction outside India. This Placement Document has not been, and will not be, registered as a prospectus with the RoC and, no Equity Shares will be offered overseas or to the public in India or any other class of investors, other than Eligible QIBs.

The Issue is being made to Eligible QIBs in reliance upon Chapter VIII of the SEBI ICDR Regulations and Private Placement Regulations, through the mechanism of a QIP. Under Chapter VIII of the SEBI ICDR Regulations and Private Placement Regulations, a company may issue equity shares to Eligible QIBs provided that certain conditions are met by our Company. Certain of these conditions are set out below:

- the shareholders of the issuer have passed a special resolution approving such QIP. Such special resolution must specify (a) that the allotment of securities is proposed to be made pursuant to the QIP; and (b) the Relevant Date;
- equity shares of the same class of such issuer, which are proposed to be allotted through the QIP, are listed on a recognised stock exchange in India having nation-wide trading terminals for a period of at least one year prior to the date of issuance of notice to its shareholders for convening the meeting to pass the above-mentioned special resolution;
- the aggregate of the proposed issue and all previous QIPs made by the issuer in the same financial year does not exceed five times the net worth (as defined in the SEBI ICDR Regulations) of the issuer as per the audited balance sheet of the previous financial year;
- the issuer shall be in compliance with the minimum public shareholding requirements set out in the SCRR;
- the issuer shall have completed allotments with respect to any prior offer or invitation made by the issuer or shall have withdrawn or abandoned any prior invitation or offer made by the issuer;
- the issuer shall offer to each Allottee at least such number of the securities in the issue which would aggregate to at least Rs. 20,000 calculated at the face value of the securities;
- the offer must be made through a private placement offer letter and an application form serially numbered and addressed specifically to the Eligible QIB to whom the offer is made and is sent within 30 days of recording the names of such Eligible QIBs;
- the offering of securities by issue of public advertisements or utilisation of any media, marketing or distribution channels or agents to inform the public about the issue is prohibited

At least 10% of the equity shares issued to Eligible QIBs must be allotted to Mutual Funds, provided that, if this portion or any part thereof to be allotted to mutual funds remains unsubscribed, it may be allotted to other Eligible QIBs.

Bidders are not allowed to withdraw their Bids after the Issue Closing Date.

Additionally, there is a minimum pricing requirement under the SEBI ICDR Regulations. The Floor Price shall not be less than the average of the weekly high and low of the closing prices of the Equity Shares of the same class of the Equity Shares of the Issuer quoted on the stock exchange during the two weeks preceding the Relevant Date. However, a discount of up to 5% of the Floor Price is permitted in accordance with the provisions of the SEBI ICDR Regulations.

The "Relevant Date" referred to above, for Floor Price, will be the date of the meeting in which the Board of Directors or any committee duly authorised by the Board of Directors decides to open the Issue and "stock exchange" means any of the recognised stock exchanges in India on which the equity shares of the issuer of the same class are listed and on which the highest trading volume in such equity shares has been recorded during the two weeks immediately preceding the Relevant Date.

Our Company has applied for and received the in-principle approval of the Stock Exchanges under Clause 24 (a) of its Listing Agreements for the listing of the Equity Shares on the Stock Exchanges. Our Company has also delivered a copy of this Preliminary Placement Document to the Stock Exchanges.

Our Company shall also make the requisite filings with the RoC and SEBI within the stipulated period as required under the Companies Act, 2013 and the Companies (Prospectus and Allotment of Securities) Rules, 2014.

The Issue has been authorized by (i) the Board pursuant to a resolution passed on September 8, 2014, (ii) the resolution passed by duly authorised Finance Committee on September 13, 2014 and (ii) the shareholders, pursuant to a resolution passed at the EGM held on October 11, 2014.

The Equity Shares will be Allotted within 12 months from the date of the shareholders' resolution approving the QIP and within 60 days from the date of receipt of subscription money from the successful Bidders. For details of refund of application money, please see the section ***"Issue Procedure – Pricing and Allocation – Designated Date and Allotment of Equity Shares"*** beginning on page 127.

The Equity Shares issued pursuant to the QIP must be issued on the basis of this Preliminary Placement Document and the Placement Document that shall contain all material information including the information specified in Schedule XVIII of the SEBI ICDR Regulations and the requirements prescribed under Form PAS-4. The Preliminary Placement Document and the Placement Document are private documents provided to only select investors through serially numbered copies and are required to be placed on the website of the concerned Stock Exchanges and of our Company with a disclaimer to the effect that it is in connection with an issue to Eligible QIBs and no offer is being made to the public or to any other category of investors.

The minimum number of allottees for each QIP shall not be less than:

two, where the issue size is less than or equal to Rs. 25,000 Lacs; and

five, where the issue size is greater than Rs. 25,000 Lacs.

No single allottee shall be allotted more than 50 % of the issue size.

Eligible QIBs that belong to the same group or that are under common control shall be deemed to be a single allottee. For details of what constitutes "same group" or "common control", please see the section ***"Issue Procedure—Application Process—Application Form"*** beginning on page 115.

Securities allotted to an Eligible QIB pursuant to a QIP shall not be sold for a period of one year from the date of allotment except on the floor of a recognised stock exchange in India.

The Equity Shares offered hereby have not been and will not be registered under the U.S. Securities Act and will not be offered or sold within the United States or any other jurisdiction, other than India. For a description of certain restrictions on transfer of the Equity Shares, please see "***Transfer Restrictions***" on page 122.

Issue Procedure

1. Our Company and Book Running Lead Managers shall circulate serially numbered copies of this Preliminary Placement Document and the serially numbered Application Form, either in electronic or physical form, to the Eligible QIBs and the Application Form will be specifically addressed to such Eligible QIBs. In terms of Section 42(7) of the Companies Act, 2013, our Company shall maintain complete records of the Eligible QIBs to whom the Preliminary Placement Document and the serially numbered Application Form have been dispatched. Our Company will make the requisite filings with the RoC and SEBI within the stipulated time period as required under the Companies Act, 2013 and the Companies (Prospectus and Allotment of Securities) Rules, 2014.

2. Unless a serially numbered Preliminary Placement Document along with the serially numbered Application Form is addressed to a particular Eligible QIB, no invitation to subscribe shall be deemed to have been made to such Eligible QIB. Even if such documentation were to come into the possession of any person other than the intended recipient, no offer or invitation to offer shall be deemed to have been made to such person and any application that does not comply with this requirement shall be treated as invalid.

3. Eligible QIBs may submit an Application Form, including any revisions thereof, during the Bidding Period to the Book Running Lead Managers.

4. Bidders will be required to indicate the following in the Application Form:

   - name of the Eligible QIB to whom Equity Shares are to be Allotted;

   - number of Equity Shares Bid for;

   - price at which they are agreeable to subscribe for the Equity Shares, provided that Eligible QIBs may also indicate that they are agreeable to submit a Bid at "Cut-off Price"; which shall be any price as may be determined by our Company in consultation with the Book Running Lead Managers at or above the Floor Price or the Floor Price net of such discount as approved in accordance with SEBI ICDR Regulations;

   - details of the depository account to which the Equity Shares should be credited; and

   - a representation that such Eligible QIB is a person resident of India and that it has agreed to certain other representations set forth in the Application Form.

5. Once a duly completed Application Form is submitted by an Eligible QIB, such Application Form constitutes an irrevocable offer and cannot be withdrawn after the Issue Closing Date. The Issue Closing Date shall be notified to the Stock Exchanges and the Eligible QIBs shall be deemed to have been given notice of such date after receipt of the Application Form.

6. The Bids made by asset management companies or custodians of Mutual Funds shall specifically state the names of the concerned schemes for which the Bids are made. In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI. Upon receipt of the Application Form, after the Issue Closing Date, our Company shall determine the final terms, including the Issue Price of the Equity Shares to be issued pursuant to the Issue in consultation with the Book Running Lead Managers.

7. Upon determination of the final terms of the Equity Shares, the Book Running Lead Managers will send the serially numbered CAN along with the Placement Document to the Eligible QIBs who have been Allocated the Equity Shares. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Eligible QIB to pay the entire Issue Price for all the Equity Shares Allocated to such Eligible QIB. The CAN shall contain details such as the number of Equity Shares Allocated to the Eligible QIB and payment instructions including the details of the amounts payable by the Eligible QIB for Allotment of the Equity Shares in its name and the Pay-In Date as applicable to the respective Eligible QIB. **Please note that the Allocation will be at the absolute discretion of our Company and will be based on the recommendation of the Book Running Lead Managers.**

8. Pursuant to receiving a CAN, each successful Bidder shall be required to make the payment of the entire application monies for the Equity Shares indicated in the CAN at the Issue Price, only through electronic transfer to our Company's designated bank account by the Pay-In Date as specified in the CAN sent to the respective successful Bidder. No payment shall be made by successful Bidder in cash. Please note that any payment of application money for the Equity Shares shall be made from the bank accounts of the relevant Eligible QIBs applying for the Equity Shares. Monies payable on Equity Shares to be held by joint holders shall be paid from the bank account of the person whose name appears first in the application. Pending Allotment, all monies received for subscription of the Equity Shares shall be kept by our Company in a separate bank account with a scheduled bank and shall be utilised only for the purposes permitted under the Companies Act, 2013.

9. Upon receipt of the application monies from the Eligible QIBs, our Company shall Allot Equity Shares as per the details in the CANs sent to the successful Bidder.

10. After passing the resolution for Allotment and prior to crediting the Equity Shares into the depository participant accounts of the successful Bidders, our Company shall apply to the Stock Exchanges for listing approvals. Our Company will intimate to the Stock Exchanges the details of the Allotment and apply for approvals for listing of the Equity Shares on the Stock Exchanges prior to crediting the Equity Shares into the beneficiary account maintained with the Depository Participant by the successful Bidder.

11. After receipt of the listing approvals of the Stock Exchanges, our Company shall credit the Equity Shares Allotted pursuant to this Issue into the Depository Participant accounts of the respective Allottees.

12. Our Company will then apply for the final trading approvals from the Stock Exchanges.

13. The Equity Shares that would have been credited to the beneficiary account with the Depository Participant of the Eligible QIBs shall be eligible for trading on the Stock Exchanges only upon the receipt of final trading and listing approvals from the Stock Exchanges.

14. Upon receipt of intimation of final trading and listing approval from the Stock Exchanges, our Company shall inform the Allottees of the receipt of such approval. Our Company and the Book Running Lead Managers shall not be responsible for any delay or non-receipt of the communication of the final trading and listing permissions from the Stock Exchanges or any loss arising from such delay or non-receipt. Final listing and trading approvals granted by the Stock Exchanges are also placed on their respective websites. Eligible QIBs are advised to apprise themselves of the status of the receipt of the permissions from the Stock Exchanges or our Company.

Qualified Institutional Buyers

Only Eligible QIBs who have not been prohibited by the SEBI from buying, selling or dealing in securities can participate in this Issue. Accordingly, Eligible QIBs for the purposes of this Issue shall compromise:

- alternative investment funds, as defined under the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012 and registered with SEBI ("AIFs"), which are not owned or controlled by Non-Resident investors;
- insurance companies registered with Insurance Regulatory and Development Authority;
- insurance funds set up and managed by army, navy or air force of the Union of India;
- insurance funds set up and managed by the Department of Posts, India;
- VCF registered with SEBI, which are owned or controlled by resident investors;
- Mutual Fund;
- pension funds with minimum corpus of Rs. 2,500 Lacs;
- provident funds with minimum corpus of Rs. 2,500 Lacs;
- public financial institutions as defined in Section 4A of the Companies Act, 1956 (Section 2(72) of the Companies Act, 2013);
- scheduled commercial banks;

- state industrial development corporations; and
- the National Investment Fund set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of the Government published in the Gazette of India.

This Issue is being made only to Eligible QIBs and the Equity Shares in this Issue are not, in any circumstance, being offered, and will not be allotted, to persons in any jurisdiction outside India. AIFs that are owned or controlled by Non-Resident investors and Non-Resident investors, including FPIs, FIIs, FVCIs, multilateral and bilateral financial institutions and any other QIB that is a Non-Resident and/or owned or controlled by Non-Residents/ persons resident outside India, as defined under FEMA, except as specifically set forth below, are not eligible to participate in this Issue. Any application received from such category of investor(s) or application wherein a foreign address is provided by the depositories would be rejected.

Our Company and the Book Running Lead Managers are not liable for any amendment or modification or change to applicable laws or regulations, which may occur after the date of this Preliminary Placement Document. Eligible QIBs are advised to make their independent investigations and satisfy themselves that they are eligible to apply. Eligible QIBs are advised to ensure that any single application from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Preliminary Placement Document. Further, Eligible QIBs are required to satisfy themselves that their Bids would not eventually result in triggering a tender offer under the Takeover Code.

Note: Affiliates or associates of the Book Running Lead Managers who are Eligible QIBs may participate in the Issue in compliance with applicable laws.

Application Process

Application Form

Eligible QIBs shall only use the serially numbered Application Forms (which are addressed to them) supplied by our Company or the Book Running Lead Managers in either electronic form or by physical delivery for the purpose of making a Bid (including revision of a Bid) in terms of this Preliminary Placement Document.

By making a Bid (including the revision thereof) for Equity Shares through Application Forms and pursuant to the terms of this Preliminary Placement Document, the Eligible QIB will be deemed to have made the following representations and warranties and the representations, warranties and agreements made under the sections "***Notice to Investors***", "***Selling Restrictions***" and "***Transfer Restrictions***" beginning on pages 2, 121 and 122, respectively:

1. The Eligible QIB confirms that it is an Eligible QIB in terms of Regulation 2(1)(zd) of the SEBI ICDR Regulations and is not excluded under Regulation 86 of the SEBI ICDR Regulations, has a valid and existing registration under the applicable laws in India (as applicable) and is eligible to participate in this Issue;

2. The Eligible QIB confirms that it is not a Promoter and is not a person related to the Promoter, either directly or indirectly and its Application Form does not directly or indirectly represent the Promoter or Promoter Group or persons related to the Promoter;

3. The Eligible QIB confirms that it has no rights under a shareholders' agreement or voting agreement with the Promoter or persons related to the Promoter, no veto rights or right to appoint any nominee director on the Board other than those acquired in the capacity of a lender which shall not be deemed to be a person related to the Promoter;

4. The Eligible QIB acknowledges that it has no right to withdraw its Application after the Issue Closing Date;

5. The Eligible QIB confirms that if Equity Shares are Allotted through this Issue, it shall not, for a period of one year from Allotment, sell such Equity Shares otherwise than on the Stock Exchanges;

6. The Eligible QIB confirms that the Eligible QIB is eligible to Bid and hold Equity Shares so Allotted. The Eligible QIB further confirms that the holding of the Eligible QIB, does not and shall not, exceed the level permissible as per any applicable regulations applicable to the Eligible QIB;

7. The Eligible QIB confirms that its Bids would not eventually result in triggering a tender offer under the Takeover Code;

8. The Eligible QIB confirms that to the best of its knowledge and belief, the number of Equity Shares Allotted to it pursuant to the Issue, together with other Allottees that belong to the same group or are under common control, shall not exceed 50% of the Issue Size. For the purposes of this representation:

   - The expression 'belong to the same group' shall derive meaning from the concept of 'companies under the same group' as provided in sub-section (11) of Section 372 of the Companies Act, 1956; and

   - 'Control' shall have the same meaning as is assigned to it by Regulation 2(1)(e) of the Takeover Code;

9. The Eligible QIBs shall not undertake any trade in the Equity Shares credited to its beneficiary account maintained with the Depository Participant until such time that the final listing and trading approvals for the Equity Shares are issued by the Stock Exchanges.

ELIGIBLE QIBS MUST PROVIDE THEIR DEPOSITORY ACCOUNT DETAILS, PAN, THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE APPLICATION FORM. ELIGIBLE QIBS MUST ENSURE THAT THE NAME GIVEN IN THE APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD.

Demographic details such as address and bank account will be obtained from the Depositories as per the Depository Participant account details given above.

The submission of an Application Form by an Eligible QIB shall be deemed a valid, binding and irrevocable offer for the Eligible QIB to pay the entire Issue Price for the Equity Shares (as indicated by the CAN) and becomes a binding contract on the Eligible QIB upon issuance of the CAN by our Company in favour of the Eligible QIB.

Submission of Application Form

All Application Forms must be duly completed with information including the number of Equity Shares applied for. All Application Forms duly completed along with payment and a copy of the PAN card or PAN allotment letter shall be submitted to the Book Running Lead Managers either through electronic form or through physical delivery at the following address:

Name	***Address***	***Contact Person***	***Email***	***Phone (Telephone and Fax)***
Emkay Global Financial Services Limited	7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028	Rajesh Ranjan Deepak Yadav	qip.dtl@emkayglobal.com	**Tel** : +91 22 66121212 **Fax**: +91 22 66121299
IL&FS Capital Advisors Limited	The IL&FS Financial Center, 3rd Floor, Plot C-22, G-Block Bandra Kurla Complex, Bandra (East), Mumbai - 400 051	Bhavin Ranawat Priyankar Shetty	dtl.qip@ilfsindia.com	**Tel.:** +91 22 2659 3560 **Fax:** +91 22 2659 2966

The Book Running Lead Managers shall not be required to provide any written acknowledgement of receipt of the Application Form.

Permanent Account Number or PAN

Each Eligible QIB should mention its PAN allotted under the IT Act in the Application Form. Applications without this information will be considered incomplete and are liable to be rejected. Eligible QIBs should not submit the GIR number instead of the PAN as the Application Form is liable to be rejected on this ground.

Pricing and Allocation

Build-up of the Book

The Eligible QIBs shall submit their Bids (including the revision of bids) within the Bidding Period to the Book Running Lead Managers. Such Bids cannot be withdrawn after the Issue Closing Date. The book shall be maintained by the Book Running Lead Managers.

Price Discovery and Allocation

Our Company, in consultation with the Book Running Lead Managers, shall determine the Issue Price, which shall be at or above the Floor Price. However, our Company may offer a discount of not more than five % on the Floor Price in terms of Regulation 85 of the SEBI ICDR Regulations.

After finalization of the Issue Price, our Company shall update this Preliminary Placement Document with the Issue details and file the same with the Stock Exchanges as the Placement Document.

Method of Allocation

Our Company shall determine the Allocation in consultation with the Book Running Lead Managers on a discretionary basis and in compliance with Chapter VIII of the SEBI ICDR Regulations. Bids received from the Eligible QIBs at or above the Issue Price shall be grouped together to determine the total demand.

The Allocation to all such Eligible QIBs will be made at the Issue Price. Allocation to Mutual Funds for up to a minimum of 10 % of the Issue Size shall be undertaken subject to valid Bids being received at or above the Issue Price.

THE DECISION OF OUR COMPANY IN CONSULTATION WITH THE BOOK RUNNING LEAD MANAGERS IN RESPECT OF ALLOCATION SHALL BE FINAL AND BINDING ON ALL ELIGIBLE QIBS. ELIGIBLE QIBS MAY NOTE THAT ALLOCATION OF EQUITY SHARES IS AT THE SOLE AND ABSOLUTE DISCRETION OF OUR COMPANY IN CONSULTATION WITH THE BOOK RUNNING LEAD MANAGERS AND ELIGIBLE QIBS MAY NOT RECEIVE ANY ALLOCATION EVEN IF THEY HAVE SUBMITTED VALID APPLICATION FORMS AT OR ABOVE THE ISSUE PRICE. NEITHER OUR COMPANY NOR THE BOOK RUNNING LEAD MANAGERS ARE OBLIGED TO ASSIGN ANY REASON FOR ANY NON-ALLOCATION.

CAN

Based on the Application Forms received, our Company, in consultation with the Book Running Lead Managers, in their sole and absolute discretion, shall decide the successful Bidder to whom the serially numbered CAN shall be sent, pursuant to which the details of the Equity Shares Allocated to them and the details of the amounts payable for Allotment of such Equity Shares in their respective names shall be notified to such successful Bidder. Additionally, a CAN will include details of the relevant Escrow Cash Account into which such payments would need to be made, address where the application money needs to be sent, Pay-In Date as well as the probable designated date, being the date of credit of the Equity Shares to the respective successful Bidder's account.

The successful Bidders would also be sent a serially numbered Placement Document either in electronic form or by physical delivery along with the serially numbered CAN. The dispatch of the serially numbered Placement Document and the serially numbered CAN to the Eligible QIBs shall be deemed a valid, binding and irrevocable contract for the Eligible QIB to furnish all details that may be required by Company and the Book Running Lead Managers and to pay the entire Issue Price for all the Equity Shares Allocated to such Eligible QIB.

Eligible QIBs are advised to instruct their Depository Participant to accept the Equity Shares that may be Allotted to them pursuant to the Issue.

Bank Account for Payment of Application Money

Our Company has opened the "DTL – QIP Escrow Account" with DBS Bank Ltd. in terms of the arrangement among our Company, the Book Running Lead Managers and DBS Bank Ltd as escrow bank. The Eligible QIB will be required to deposit the entire amount payable for the Equity Shares Allocated to it by the Pay-In Date as mentioned in, and in accordance with, the respective CAN.

Payments are to be made only through electronic fund transfer.

Note: Payments through cheques are liable to be rejected.

If the payment is not made favoring "DTL – QIP Escrow Account" within the time stipulated in the CAN, the Application Form and the CAN of the Eligible QIB are liable to be cancelled. Our Company undertakes to utilise the amount deposited in "DTL – QIP Escrow Account" only for the purposes of (i) adjustment against Allotment of Equity Shares in the Issue; or (ii) repayment of application money if our Company is not able to Allot Equity Shares in the Issue.

In case of cancellations or default by the Eligible QIBs, our Company, the Book Running Lead Managers have the right to reallocate the Equity Shares at the Issue Price among existing or new Eligible QIBs at their sole and absolute discretion.

Designated Date and Allotment of Equity Shares

The Equity Shares will not be Allotted unless the Eligible QIBs pay the Issue Price to the "DTL – QIP Escrow Account" as stated above. The Equity Shares in the Issue will be issued and Allotment shall be made only in dematerialized form to the Allottees. Allottees will have the option to re-materialize the Equity Shares, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

Our Company, at its sole discretion, reserves the right to cancel the Issue at any time up to Allotment without assigning any reason whatsoever. Following the Allotment and credit of Equity Shares into the Eligible QIBs' Depository Participant accounts, our Company will apply for final trading and listing approvals from the Stock Exchanges.

In the case of Eligible QIBs who have been Allotted more than five (5) % of the Equity Shares in the Issue, our Company shall disclose the name and the number of the Equity Shares Allotted to such Eligible QIB to the Stock Exchanges and the Stock Exchanges will make the same available on their website as per the requirement of Listing Agreements. Further, our Company is required to disclose details such as your name, address and the number of Equity Shares Allotted to the Registrar of Companies.

The Escrow Bank shall release the monies lying to the credit of the Escrow Cash Account to our Company after the receipt of listing and trading approval from the Stock Exchanges for Equity shares offered pursuant to the Issue

In accordance with the Companies Act, 2013, in the event that our Company is unable to issue and Allot the Equity Shares offered in the Issue or there is a cancellation of the Issue within 60 days from the date of receipt of application money from a successful Bidder, our Company shall repay the application money within 15 days from expiry of 60 day period, failing which our Company shall repay that money to such successful Bidders with interest at the rate of 12 % per annum from expiry of the 60^{th} day. The application money to be refunded by our Company shall be refunded to the same bank account from which application money was remitted by the Eligible QIBs.

Other Instructions

Right to Reject Applications

Our Company, in consultation with the Book Running Lead Managers, may reject Bids, in part or in full, without assigning any reason whatsoever. The decision of our Company and the Book Running Lead Managers in relation to the rejection of Bids shall be final and binding.

Equity Shares in Dematerialized form with NSDL or CDSL

The Allotment of the Equity Shares in the Issue shall be only in dematerialized form (i.e., not in physical certificates but be fungible and be represented by the statement issued through the electronic mode). An Eligible QIB applying for Equity Shares to be issued pursuant to the Issue must have at least one beneficiary account with a Depository Participant of either NSDL or CDSL prior to making the Bid. Allotment to a successful Eligible QIB will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Eligible QIB.

Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. The Stock Exchanges have electronic connectivity with NSDL and CDSL. The trading of the Equity Shares to be issued pursuant to the Issue would be in dematerialised form only for all Eligible QIBs in the demat segment of the respective Stock Exchanges.

Our Company and the Book Running Lead Managers will not be responsible or liable for the delay in the credit of Equity Shares to be issued pursuant to the Issue due to errors in the Application Form or otherwise on part of the Eligible QIBs.

PLACEMENT

Placement Agreement

The Book Running Lead Managers have entered into a placement agreement with us (the "**Placement Agreement**"), pursuant to which the Book Running Lead Managers have agreed to procure, on a reasonable efforts basis, Eligible QIBs to subscribe for Equity Shares to be issued pursuant to the Issue, pursuant to Chapter VIII of the SEBI ICDR Regulations.

The Placement Agreement contains customary representations and warranties as well as indemnities from us and is subject to certain conditions and termination provisions contained therein.

Applications will be made to list the Equity Shares and admit them to trading on the Stock Exchanges. No assurance can be given as to the liquidity or sustainability of the trading market for the Equity Shares, the ability of holders of the Equity Shares to sell their Equity Shares or the price at which holders of the Equity Shares will be able to sell their Equity Shares.

This Preliminary Placement Document has not been, and will not be, registered as a prospectus with the Registrar of Companies in India and no Equity Shares will be offered in India or overseas to the public or any members of the public in India or to any class of investors other than Eligible QIBs.

In connection with the Issue, the Book Running Lead Managers (or their affiliates) may, for their own accounts, enter into asset swaps, credit derivatives or other derivative transactions relating to the Equity Shares at the same time as the offer and sale of the Equity Shares, or in secondary market transactions. As a result of such transactions, the Book Running Lead Managers may hold long or short positions in such Equity Shares. These transactions may comprise a substantial portion of the Issue and no specific disclosure will be made of such positions. Affiliates of the Book Running Lead Managers may purchase Equity Shares and be allocated Equity Shares.

SELLING RESTRICTIONS

This Issue is being made only to Eligible QIBs and the Equity Shares in this Issue will not in any circumstance be offered to persons in any jurisdiction outside India. Persons who come into possession of this Preliminary Placement Document or any offering material are advised to take legal advice with regard to any restrictions that may be applicable to them and to observe such restrictions. This Preliminary Placement Document may not be used for the purpose of an offer or sale in any circumstances in which such offer or sale is not authorised or permitted.

General

This Issue is being made only to Eligible QIBs and the Equity Shares in this Issue will not in any circumstance be offered to persons in any jurisdiction outside India. Accordingly, no action has been or will be taken in any jurisdiction by our Company or the Book Running Lead Managers that would permit a public offering of the Equity Shares or the possession, circulation or distribution of this Preliminary Placement Document or any other material relating to our Company or the Equity Shares in the Issue in any jurisdiction where action for such purpose is required. The Issue will be made in compliance with the SEBI ICDR Regulations and the Companies Act 2013. The Preliminary Placement Document has not been and will not be registered as a prospectus with any registrar of companies in India and the Equity Shares will not be offered or sold directly or indirectly, to the public or any members of the public in India or any other class of investors other than Eligible QIBs.

The Equity Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States and will not be offered or sold within the United States or any other jurisdiction, other than India.

Each purchaser of the Equity Shares offered by this Preliminary Placement Document will be deemed to have made the representations, agreements and acknowledgements as described under "***Representations by Investors***" and "***Transfer Restrictions***" on pages 3 and 122, respectively.

TRANSFER RESTRICTIONS

Pursuant to Chapter VIII of the SEBI ICDR Regulations, any resale of Equity Shares, except on the floor of the Stock Exchanges, is not permitted for a period of one year from the date of Allotment. Investors are advised to consult legal counsel prior to making any resale, pledge or transfer of the Equity Shares. For more information, see "***Selling Restrictions***" on page 121.

Subject to the foregoing, by accepting this Preliminary Placement Document and purchasing any Equity Share in this Issue, each Purchaser of the Equity Shares is deemed to have represented, agreed and acknowledged as follows:

1. you have received a copy of this Preliminary Placement Document and such other information as you deem necessary to make an informed decision and that you are not relying on any other information or the representation concerning our Company or the Equity Shares and neither our Company nor any other person responsible for this document or any part of it or the Book Running Lead Managers will have any liability for any such other information or representation;

2. you are authorized to consummate the purchase of the Equity Shares in compliance with all applicable laws and regulations;

3. you acknowledge (or if you are a broker-dealer acting on behalf of a customer, your customer has confirmed to you that such customer acknowledges) that such Equity Shares have not been and will not be registered under the U.S. Securities Act;

4. you certify that either (A) you are the beneficial owner of the Equity Shares and are a person resident in India; and

5. our Company and the Book Running Lead Managers, their respective affiliates and others will rely upon the truth and accuracy of your representations, warranties, acknowledgements and undertakings set out in this document, each of which is given to (a) the Book Running Lead Managers on your own behalf and on behalf of our Company, and (b) to our Company, and each of which is irrevocable and, if any of such representations, warranties, acknowledgements or undertakings deemed to have been made by virtue of your purchase of the Equity Shares are no longer accurate, you will promptly notify our Company.

Any resale or other transfer or attempted resale or other transfer, made other than in compliance with the above stated restrictions will not be recognized by our Company.

INDIAN SECURITIES MARKET

The information in this section has been extracted from publicly available documents from various sources, including the SEBI, the Stock Exchanges , and has not been prepared or independently verified by us or the Book Running Lead Managers, or any of their affiliates or advisors.

The Indian Securities Market

India has a long history of organized securities trading. In 1875, the first stock exchange was established in Mumbai.

Stock Exchange Regulation

Indian stock exchanges are regulated primarily by the SEBI, as well as by the Government acting through the Ministry of Finance, Capital Markets Division, under the Securities and Exchange Board of India Act, 1992, as amended (the "**SEBI Act**"), the Securities Contracts (Regulation) Act, 1956, as amended (the "**SCRA**") and the Securities Contracts (Regulation) Rules, 1957, as amended (the "**SCRR**"). On June 20, 2012, the SEBI, in exercise of its powers under the SCRA and the SEBI Act, notified the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 (the "**SCR (SECC) Rules**"), which regulate, *inter alia*, the recognition, ownership and governance in stock exchanges and clearing corporations in India together with providing for minimum net-worth requirements for stock exchanges. The SCRA, the SCRR and the SCR (SECC) Rules along with various rules, bye-laws and regulations of the respective stock exchanges, regulate the recognition of stock exchanges, the qualifications for membership thereof and the manner, in which contracts are entered into, settled and enforced between members of the stock exchanges.

The SEBI Act empowers the SEBI to regulate the Indian securities markets, including stock exchanges and intermediaries in the securities markets, promote and regulate self-regulatory organizations and prohibit fraudulent and unfair trade practices. Regulations and guidelines concerning minimum disclosure requirements by public companies, investor protection, insider trading, substantial acquisitions of shares and takeover of companies, buy-backs of securities, employee stock option schemes, stockbrokers, merchant bankers, underwriters, mutual funds, foreign institutional investors, foreign portfolio investors, credit rating agencies and other securities market participants have been notified by the SEBI.

There are recognized stock exchanges in India. Most of the stock exchanges have their own governing board for self-regulation. The BSE and the NSE together hold a dominant position among the stock exchanges in terms of the number of listed companies, market capitalization and trading activity.

With effect from April 1, 2003, the stock exchanges in India operate on a trading day plus two, or T+2, rolling settlement system. At the end of the T+2 period, obligations are settled with buyers of securities paying for and receiving securities, while sellers transfer and receive payment for securities. For example, trades executed on a Monday would typically be settled on a Wednesday. In order to contain the risk arising out of the transactions entered into by the members of various stock exchanges either on their own account or on behalf of their clients, the stock exchanges have designed risk management procedures, which include compulsory prescribed margins on the individual broker members, based on their outstanding exposure in the market, as well as stock-specific margins from the members.

Listing

The listing of securities on a recognized Indian stock exchange is regulated by the applicable Indian laws including the Companies Act, the SCRA, the SCRR, the SEBI Act, the various guidelines and regulations issued by the SEBI and the Listing Agreements of the respective stock exchanges. The SCRA empowers the governing body of each recognized stock exchange to suspend or withdraw admission to dealings in the securities of a company for a breach of, or non-compliance with, any of the conditions of admission to dealings or for any other reason, subject to the issuer receiving prior written notice of such intent of the exchange and a reasonable opportunity to show cause against the proposed action. The SEBI also has the power to make or amend the byelaws of the recognized stock exchanges in India, to supersede a recognized stock exchange's governing body and withdraw recognition of a recognized stock exchange.

Pursuant to an amendment dated June 4, 2010 to the SCRR, all listed companies (except public sector companies) are required to maintain a minimum public shareholding of at least 25 %. Any listed company which had public shareholding of less than 25 % at the time of commencement of the amendment dated June 4, 2010 to the SCRR was required to increase its public shareholding to at least 25 % within a period of three years from the date of such commencement. The SCRR also provides that if the public shareholding in a listed company falls below 25 % at any time, such company is required to bring the public shareholding to 25 % within a maximum period of 12 months from the date of such fall in the manner prescribed by the SEBI. Consequently, a listed company may be delisted from the stock exchanges for not complying with the minimum public shareholding requirement. Our Company is in compliance with this minimum public shareholding requirement.

Disclosures under the Companies Act, 2013 and Listing Agreements

Public limited companies are required under the Companies Act, 2013 and the Listing Agreements to prepare, file with the registrar of companies and circulate to their shareholders audited annual accounts which comply with the disclosure requirements and regulations governing their manner of presentation and which include sections relating to corporate governance under the Companies Act, 2013, related party transactions and management's discussion and analysis as required under the Listing Agreement. In addition, a listed company is subject to continuing disclosure requirements pursuant to the terms of its Listing Agreement with the relevant stock exchange.

Index-Based Market-Wide Circuit Breaker System

In order to restrict abnormal price volatility in any particular stock, the SEBI has instructed stock exchanges to apply daily circuit breakers which do not allow transactions beyond a certain level of price volatility. The index based market-wide circuit breaker system (equity and equity derivatives) applies at three stages of the index movement, at 10 %, 15 % and 20 %. These circuit breakers, when triggered, bring about a coordinated trading halt in all equity and equity derivative markets nationwide. The market-wide circuit breakers are triggered by movement of either the SENSEX of the BSE or the S&P CNX NIFTY of the NSE, whichever is breached earlier. With effect from October 1, 2013, the Stock Exchanges, shall on a daily basis translate the 10 %, 15 % and 20 % circuit breaker limits of market wide index variation based on the previous days' closing level of the index.

In addition to the market-wide index-based circuit filters, there are currently in place individual scrip-wise price bands of 20 % movements either up or down for all scrips in the compulsory rolling settlement. However, no price bands are applicable on scrips on which derivative products are available or scrips included in indices on which derivative products are available.

The stock exchanges in India can also exercise the power to suspend trading during periods of market volatility. Margin requirements are imposed by stock exchanges that are required to be maintained by the stockbrokers.

The BSE

The BSE was established in 1875 and is the oldest stock exchange in India. In 1956, it became the first stock exchange in India to obtain permanent recognition from the Government under the SCRA. It has evolved over the years into its present status as one of the premier stock exchanges of India. Pursuant to the BSE (Corporatisation and Demutualisation) Scheme 2005 of the SEBI, with effect from August 19, 2005, the BSE was incorporated and is now a company under the Companies Act.

The NSE

The NSE was established by financial institutions and banks to serve as a national exchange and to provide nationwide on-line satellite-linked screen-based trading facilities with market makers and electronic clearing and settlement for securities including Government securities, debentures, public sector bonds and units. It has evolved over the years into its present status as one of the premier stock exchanges of India. The NSE was recognized as a stock exchange under the SCRA in April 1993 and commenced operations in the wholesale debt market segment in June 1994.

Trading Hours

Trading on both the NSE and the BSE occurs from Monday to Friday, between 9:15 a.m. and 3:30 p.m. IST (excluding the 15 minutes pre-open session from 9:00 a.m. to 9:15 a.m. that has been introduced recently). The BSE and the NSE are closed on public holidays. The recognised stock exchanges have been permitted to set their own trading hours (in the cash and derivatives segments) subject to the condition that (i) the trading hours are between 9.00 a.m. and 5.00 p.m.; and (ii) the stock exchange has in place a risk management system and infrastructure commensurate to the trading hours.

Stock Market Indices

There are several indices of stock prices on NSE, which include the S&P CNX Nifty, CNX Nifty Junior, S&P CNX Defty, S&P CNX 500, CNX Midcap and CNX100. S&P CNX Nifty is a diversified 50 stock index accounting for various sectors of the economy. It is used for a variety of purposes such as benchmarking fund portfolios, index based derivatives and index funds. S&P CNX Nifty is owned and managed by India Index Services and Products Limited (IISL), which is a joint venture between the NSE and CRISIL.

The two indices which are generally used in tracking the aggregate price movements on BSE are the Sensex and the BSE 100 Index. The BSE Sensitive Index, or the Sensex, consists of listed shares of 30 large market capitalization companies. The companies are selected on the basis of market capitalization, liquidity and industry representation. The Sensex was first compiled in 1986 with the fiscal year ended March 31, 1979. The BSE 100 Index (formerly the BSE National Index) contains listed shares of 100 companies, including the 30 in the Sensex, with 1983-1984 as the base year.

Internet-Based Securities Trading and Services

The SEBI approved Internet trading in January 2000. Internet trading takes place through order routing systems, which route customer orders to exchange trading systems for execution. This permits customers to trade using brokers' Internet trading systems. Stock brokers interested in providing this service are required to apply for permission to the relevant stock exchange and also have to comply with certain minimum conditions stipulated under applicable law. The NSE became the first exchange to grant approval to its members for providing Internet-based trading services. Internet trading is possible on both the "equities" as well as the "derivatives" segments of the NSE.

Trading Procedure

In order to facilitate smooth transactions, the BSE replaced its open outcry system with the BSE Online Trading (BOLT) facility in 1995. This totally automated screen based trading in securities was put into practice nation-wide. This has enhanced transparency in dealings and has assisted considerably in smoothening settlement cycles and improving efficiency in back-office work.

NSE has introduced a fully automated trading system called National Exchange for Automated Trading (or "NEAT"), which operates on strict time/price priority besides enabling efficient trade. NEAT has provided depth in the market by enabling large number of members all over India to trade simultaneously, narrowing the spreads.

Takeover Code

Disclosure and mandatory bid obligations for listed Indian companies under Indian law are governed by the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, as amended (the "**Takeover Code**"), which provides specific regulations in relation to substantial acquisition of shares and takeover. Once the equity shares of a company are listed on a stock exchange in India, the provisions of the Takeover Code will apply to any acquisition of the company's shares/voting rights/control. The Takeover Code prescribes certain thresholds or trigger points in the shareholding a person or entity has in the listed Indian company, which give rise to certain obligations on part of the acquirer. Acquisitions up to a certain threshold prescribed under the Takeover Code mandate specific disclosure requirements, while acquisitions crossing particular thresholds may result in the acquirer having to make an open offer of the shares of the target company. The Takeover Code also provides for the possibility of indirect acquisitions, imposing specific obligations on the acquirer in case of such indirect acquisition.

Delisting of Securities

SEBI has notified the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 in relation to the voluntary and compulsory delisting of equity shares from the stock exchanges. In addition, certain amendments to the SCRR have also been notified in relation to delisting.

Prohibition of Insider Trading Regulations

The Insider Trading Regulations have been notified by SEBI to prohibit and penalize insider trading in India. An insider is, among other things, prohibited from dealing either on his own behalf or on behalf of any other person in the securities of a listed company when in possession of unpublished price sensitive information. The SEBI Prohibition of Insider Trading Regulations also provide disclosure obligations for shareholders holding more than a pre-defined percentage, persons who are promoters or part of the promoter group and directors and officers, with respect to their shareholding in the company, and the changes therein. The definition of "insider" includes any person who has received or has had access to unpublished price sensitive information in relation to securities of a company or any person reasonably expected to have access to unpublished price sensitive information in relation to securities of a company and who is or was connected with the company or is deemed to have been connected with the company.

Depositories

In August 1996, the Indian Parliament enacted the Depositories Act 1996 (the "**Depositories Act**") which provides a legal framework for the establishment of depositories to record ownership details and effect transfers in electronic book-entry form. The SEBI framed regulations in relation to the formation and registration of such depositories, the registration of participants and the rights and obligations of the depositories, participants, companies and beneficial owners. The depository system has significantly improved the operation of the Indian securities markets.

Derivatives (Futures and Options)

Trading in derivatives is governed by the SCRA, the SCRR and the SEBI Act. The SCRA was amended in February 2000 and derivatives contracts were included within the term "securities", as defined by the SCRA. Trading in derivatives in India takes place either on separate and independent derivatives exchanges or on a separate segment of an existing stock exchange. The derivatives exchange or derivatives segment of a stock exchange functions as a self-regulatory organisation under the supervision of the SEBI.

DESCRIPTION OF THE EQUITY SHARES

Set forth below is certain information relating to our share capital, including a brief summary of some of the provisions of the Memorandum and Articles of Association, the Companies Act and certain related laws of India.

General

Our authorized capital is Rs. 2,500 Lacs divided into 200 Lacs Equity Shares of Rs. 10 each and 5 Lacs Redeemable Cumulative Preference Shares of Rs. 100 each. As of the date of this Preliminary Placement Document, 60,41,443 Equity Shares of Rs. 10 each were paid up and outstanding.

Dividend

Under the Companies Act, 2013, unless the board recommends the payment of a dividend, the shareholders at a general meeting have no power to declare any dividend. Subject to certain conditions specified in the Companies Act, 2013, no dividend can be declared or paid by a company for any financial year except out of the profits of the company for that year determined in accordance with the provisions of the Companies Act, 2013 or out of the undistributed profits of previous Fiscal Years or out of both, arrived at in accordance with the provisions of the Companies Act, 2013, or out of money provided by the Central Government or a state Government for payment of dividend by our Company in pursuance of a guarantee given by that government. Pursuant to the Listing Agreements, listed companies are required to declare and disclose their dividends on per share basis only. The dividend recommended by the Board and approved by the shareholders at a general meeting is distributed and paid to shareholders in proportion to the paid-up value of their equity shares as at the record date for which such dividend is payable. In addition, the board may declare and pay interim dividends. Under the Companies Act, 2013, dividends can only be paid in cash to shareholders listed on the register of shareholders on the date which is specified as the "record date" or "book closure date". No shareholder is entitled to a dividend while unpaid calls on any of his equity shares are outstanding. Dividends must be paid within 30 days from the date of the declaration and any dividend that remains unpaid or unclaimed after that period must be transferred within seven days to a special unpaid dividend account held at a scheduled bank. Any money that remains unpaid or unclaimed for seven years from the date of such transfer must be transferred by our Company to the Investor Education and Protection Fund established by the Government and thereafter any claim with respect thereto will lapse.

Our Company may, before the declaration of any dividend in any financial year, transfer such percentage of its profits for that financial year as it may consider appropriate to the reserves of our Company. The Companies Act, 2013 and the Companies (Declaration of Dividend) Rules, 2014, provide that if the profit for a year is insufficient, the dividend for that year may be declared out of free reserves, subject to certain conditions prescribed under those legislations.

Capitalization of Reserves

As provided in the Articles of Association of our Company, our Company in a general meeting (on recommendation of the Board) may resolve that it is desirable to capitalize any part of the amount for the time being standing to the credit of our Company's reserve accounts or to the credit of the profit and loss accounts or otherwise available for distribution; and that such sum be accordingly set free for distribution in the specified manner amongst the shareholders who would have been entitled thereto and distributed by way as such dividend and in the same proportion.

Any issue of bonus shares by a listed company would be subject to the guidelines issued by the SEBI. The relevant SEBI guidelines prescribe that no company shall, pending conversion of compulsorily convertible securities, issue any shares by way of bonus unless a similar benefit is extended to the holders of such compulsorily convertible securities, through a proportionate reservation of shares. Further, in order to issue bonus shares, a company should not have defaulted in the payment of interest or principal in respect of fixed deposits and interest on existing debentures or principal on redemption thereof and should have sufficient reason to believe that it has not defaulted in respect of any statutory dues of the employees. The declaration of bonus shares in lieu of a dividend cannot be made. A bonus issue may be made out of free reserves built out of genuine profits or share premium collected in cash and not from reserves created by revaluation of fixed assets.

The issue of bonus shares must take place within fifteen days from the date of approval by the board, if the articles of association of a company do not require such company to seek shareholders' approval for capitalization of profits or reserves for making bonus issues. If a company is required to seek shareholders' approval for capitalization of profits or reserves for making bonus issues, then the bonus issue should be implemented within two months from the date of the board meeting wherein the decision to issue bonus shares was taken subject to shareholders' approval.

Pre-emptive Rights and Alteration of Share Capital

Subject to the provisions of the Companies Act, 2013, our Company can increase its share capital by issuing new equity shares. Such new equity shares must be offered to existing shareholders registered on the record date in proportion to the amount paid-up on those equity shares at that date. The offer shall be made by notice specifying the number of equity shares offered and the date (being not less than fifteen days and not exceeding thirty days from the date of the offer) after which the offer, if not accepted, will be deemed to have been declined. After such date the Board may dispose of the equity shares offered in respect of which no acceptance has been received, in such manner as they think is not disadvantageous to the shareholders and our Company. The offer is deemed to include a right exercisable by the person concerned to renounce the shares in favor of any other person provided that the person in whose favor such shares have been renounced is approved by the Board in their absolute discretion.

However, under the provisions of the Companies Act, 2013 and the Companies (Share Capital and Debentures) Rules, 2014, new shares may be offered to any persons, whether or not those persons include existing shareholders or employees to whom shares are allotted under a scheme of employees stock options, either for cash or for consideration other than cash, if a special resolution to that effect is passed by the shareholders of our Company in a general meeting. The issue of the Equity Shares pursuant to the Issue has been approved by a special resolution of our Company's shareholders and such shareholders have waived their pre-emptive rights with respect to such Equity Shares.

Our Company's issued share capital may, among other things, be increased by the exercise of warrants attached to any of our Company's securities entitling the holder to subscribe for shares. The Articles of Association provide that our Company may consolidate or sub-divide our Company's share capital or cancel equity shares which have not been taken up by any person. Our Company can also alter its share capital by way of a reduction of capital, in accordance with the Companies Act, 2013.

General Meetings of Shareholders

Our Company must hold its annual general meeting each year within 15 months of the previous annual general meeting and within six months after the end of each accounting year. The RoC may extend this period in special circumstances at our Company's request. The Board may convene an extraordinary general meeting of shareholders when necessary and shall convene such a meeting at the request of a shareholder or shareholders holding in the aggregate not less than 10% of our Company's issued paid-up capital.

Written notices convening a meeting setting out the date and place of the meeting and its agenda must be given to members at least 21 days prior to the date of the proposed meeting and where any special business is to be transacted at the meeting an explanatory statement shall be annexed to the notice as required under the Companies Act, 2013. A general meeting may be called after giving shorter notice if consent is received, in writing or by electronic mode, from shareholders holding not less than 95% of our Company's paid-up capital. Our Company's general meetings are held in Bangalore.

A listed company intending to pass a resolution relating to matters such as, but not limited to, an amendment in the objects clause of the memorandum of association, a buy-back of shares under the Companies Act, 2013, the giving of loans or extending a guarantee in excess of limits prescribed under the Companies Act, 2013 is required to pass the resolution by means of a postal ballot instead of transacting the business in the general meeting of our Company. A notice to all the shareholders must be sent along with a draft resolution explaining the reasons thereof and requesting them to send their assent or dissent in writing on a postal ballot within a period of thirty days from the date of such notice. Shareholders may exercise their right to vote at general meetings or through postal ballot by voting through e-voting facilities in accordance with the circular dated April 17, 2014 issued by the SEBI and the Companies Act, 2013. Under the Companies Act, 2013, unless, the Articles of Association provide for a larger number: (i) five shareholders present in person, if the number of shareholders as on the date of meeting is not more than 1,000; (ii) 15 shareholders present in person, if the number of shareholders as on the date of the meeting is more than 1,000 but up to 5,000; and (iii) 30 shareholders present in person, if the number of shareholders as on the date of meeting exceeds 5,000, shall constitute a quorum for a general meeting of our Company. The quorum requirements applicable to shareholder meetings under the Companies Act, 2013 have to be physically complied with.

Voting Rights

At a general meeting upon a show of hands, every member holding shares and entitled to vote and present in person has one vote. Upon a poll, the voting rights of each Shareholder entitled to vote and present in person or by proxy is in the same proportion to such Shareholder's share of the paid-up equity capital of our Company.

Ordinary resolutions may be passed by simple majority of those present and voting. Special resolutions require that the votes cast in favor of the resolution must be at least three times the votes cast against the resolution. The Companies Act, 2013 provides that to amend the articles of association of a company, a special resolution is required to be passed in a general meeting.

A shareholder may exercise his voting rights by proxy to be given in the form required by the Articles of Association. The instrument appointing a proxy is required to be lodged with us at least 48 hours before the time of the meeting, or in case of a poll, not less than 24 hours before the time appointed for taking the poll. A shareholder may, by a single power of attorney, grant a general power of representation regarding several general meetings of shareholders. Any shareholder may appoint a proxy. A corporate shareholder is also entitled to nominate a representative to attend and vote on its behalf at general meetings. A proxy may not vote except on a poll and does not have a right to speak at meetings. A shareholder which is a legal entity may appoint an authorized representative who can vote in all respects as if a member both on a show of hands and a poll.

The Companies Act, 2013 allows our Company to issue shares with differential rights as to dividend, voting or otherwise, subject to certain conditions. In this regard, the law requires that for a company to issue shares with differential voting rights, our Company must have, *inter alia*, had distributable profits in terms of the Companies Act, 2013 for the last three financial years and our Company must not have defaulted in filing annual accounts and annual returns for the immediately preceding three financial years.

Register of Shareholders and Record Dates

The Company is obliged to maintain a register of shareholders at its RoC , unless a special resolution is passed in a general meeting authorizing the keeping of the register at any other place within the city, town or village in which the Registered Office is situated or any other place in India in which more than one-tenth of the total shareholders entered in the register of members reside. Our Company recognizes as shareholders only those persons whose names appear on the register of shareholders and cannot recognize any person holding any share or part of it upon any express, implied or constructive trust, except as permitted by law. In the case of shares held in physical form, transfers of shares are registered on the register of shareholders upon lodgment of the share transfer form duly complete in all respects accompanied by a share certificate or, if there is no certificate, the letter of allotment in respect of shares transferred together with duly stamped transfer forms. In respect of electronic transfers, the depository transfers shares by entering the name of the purchaser in its books as the beneficial owner of the shares. In turn, the name of the depository is entered into our Company's records as the registered owner of the shares. The beneficial owner is entitled to all the rights and benefits as well as the liabilities with respect to the shares held by a depository.

For the purpose of determining the shareholders, the register may be closed for periods not exceeding 45 days in any one year or 30 days at any one time at such times, as the Board may deem expedient in accordance with the provisions of the Companies Act, 2013. Under the Listing Agreements of the Stock Exchanges on which our Company's outstanding shares are listed, our Company may, upon at least seven working days' advance notice to such stock exchanges, set a record date and/or close the register of shareholders in order to ascertain the identity of shareholders. The trading of shares and the delivery of certificates in respect thereof may continue while the register of shareholders is closed.

Under the Companies Act, 2013, our Company is also required to maintain a register of debenture holders and a register of any other security holders.

Annual Report and Financial Results

The annual report must be presented at the annual general meeting. The report includes financial information, a corporate governance section and management's discussion and analysis and is sent to our Company's shareholders.

Under the Companies Act, 2013, our Company must file its balance sheet and profit and loss account with the Registrar of Companies within thirty days from the date of the annual general meeting. The Companies Act, 2013 also requires listed companies to place their financial statements, including consolidated financial statements, if any, and all other documents required to be attached thereto, on their website. As required under the Listing Agreements, copies are required to be simultaneously sent to the Stock Exchanges on which the shares are listed. Our Company must also publish its financial results in at least one English language daily newspaper circulating in the whole or substantially the whole of India and also in a daily newspaper published in the language of the region of the Registered Office (*i.e.*, Kannada).

Transfer of Equity Shares

Shares held through depositories are transferred in the form of book entries or in electronic form in accordance with applicable SEBI regulations. These regulations provide the regime for the functioning of the depositories and their participants and set out the manner in which the records are to be kept and maintained and the safeguards to be followed in this system. Transfers of beneficial ownerships of shares held through a depository are exempt from stamp duty.

The SEBI requires that for trading and settlement purposes shares should be in book-entry form for all investors, except for transactions that are not made on a stock exchange and transactions that are not required to be reported to the stock exchange.

The securities of our Company are freely transferable, subject to the provisions of the Companies Act, 2013. If a public company without sufficient cause refuses to register a transfer of shares within thirty days from the date on which the instrument of transfer or intimation of transmission, as the case may be, is delivered to our Company, the transferee may appeal to our Company Law Board seeking to register the transfer. Our Company Law Board is proposed to be replaced with the National Company Law Tribunal with effect from a date that is yet to be notified.

Pursuant to the Listing Agreements, in the event that a transfer of shares is not effected within 15 days or where our Company has failed to communicate to the transferee any valid objection to the transfer within the stipulated time period of 15 days, our Company is required to compensate the aggrieved party for the opportunity loss caused by the delay.

A transfer may also be by transmission. Subject to the provisions of the Articles, any person becoming entitled to shares in consequence of the death or insolvency of any member may, upon producing such evidence as may from time to time properly be required by the Board, be registered as a member in respect of such shares, or may, subject to the regulations as to transfer contained in the Articles, transfer such shares. The Articles of Association provide that our Company shall charge no fee for registration of transfer, transmission, probate, succession certificate and letters of administration, certificate of death or marriage, power of attorney or other similar document.

Acquisition by us of our own Equity Shares

A company is prohibited from acquiring its own shares unless the consequent reduction of capital is effected by an approval of at least 75% of its shareholders, voting on it in accordance with the Companies Act, 2013 and sanctioned by the High Court of competent jurisdiction (or the National Company Law Tribunal once it is notified). Subject to certain conditions, a company is prohibited from giving, whether directly or indirectly and whether by means of loan, guarantee, provision of security or otherwise, any financial assistance for the purpose of or in connection with a purchase or subscription made or to be made by any person for any shares in our Company or its holding company. However, pursuant to the Companies Act, 2013, a company has been empowered to purchase its own shares or other specified securities out of its free reserves, the securities premium account or the proceeds of any fresh issue of shares or other specified securities (other than the kind of shares or other specified securities proposed to be bought back) subject to certain conditions, including:

- the buy-back should be authorized by the Articles of Association of our Company;
- a special resolution has been passed in a general meeting authorizing the buy-back (in the case of listed companies, by means of a postal ballot);
- the buy-back is limited to 25% of the total paid-up capital and free reserves;
- the debt owed by our Company is not more than twice the capital and free reserves after such buy-back; and
- the buy-back is in accordance with the Securities and Exchange Board of India (Buy-Back of Securities) Regulations 1998, as amended.

A board resolution will constitute sufficient corporate authorization for a buy-back that is for less than 10% of the total paid-up equity capital and free reserves of our Company. A company buying back its securities is required to extinguish and physically destroy the securities so bought back within seven days of the last date of completion of the buy-back. Further, a company buying back its securities is not permitted to buy back any securities for a period of one year from the buy-back or to issue the same kind of shares or specified securities for six months subject to certain limited exceptions.

A company is also prohibited from purchasing its own shares or specified securities through any subsidiary company including its own subsidiary companies or through any investment company. Further, a company is prohibited from purchasing its own shares or specified securities, if our Company is in default in the repayment of deposit or interest, in the redemption of debentures or preference shares, in payment of dividend to a shareholder, in repayment of any term loan or interest payable thereon to any financial institution or bank or in the event of non-compliance with certain other provisions of the Companies Act, 2013.

Liquidation Rights

Subject to the rights of creditors, of employees and of the holders of any other shares entitled by their terms of issue to preferential repayment over the shares, in the event of winding up of our Company, the holders of the Equity Shares are entitled to be repaid the amounts of capital paid-up or credited as paid-up on such shares. All surplus assets after payments due to employees, the holders of any preference shares and other creditors belong to the holders of the Equity Shares in proportion to the amount paid-up or credited as paid-up on such shares respectively at the commencement of the winding-up.

TAXATION

The information provided below sets out the possible tax benefits available to the shareholders in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of equity shares under the current tax laws presently in force in India. Several of these benefits are dependent on us or our shareholders fulfilling conditions prescribed under relevant tax laws. We may not choose to fulfill such conditions. This information is not exhaustive or comprehensive and is not intended to be a substitute for professional advice. Investors are advised to consult their own tax consultant with respect to the tax implications of an investment in the Equity Shares. Investors should note that a draft of the Direct Tax Code Bill has been placed before the Indian Parliament. If that law comes into effect, there could be an impact on the tax provisions mentioned below.

STATEMENT OF TAX BENEFITS AVAILED AND AVAILABLE TO DYNAMATIC TECHNOLOGIES LIMITED (“THE COMPANY”) AND ITS SHAREHOLDERS

To,
The Board of Directors
Dynamatic Technologies Limited,
Dynamatics Park
Peenya, Bangalore

Re: Proposed QIP (Issue) of Equity shares by Dynamatic Technologies Limited, (the ‘Company”), under chapter VIII, of the Securities and Exchange Board of India, (Issue of Capital and Disclosure requirements) Regulations 2009, as amended (SEBI ICDR Regulations) and the Section 42 of the Companies Act 2013,

Dear Sirs,

We hereby certify that, **Dynamatic Technologies Limited** (the Company) has availed the following tax benefits in its Returns of income, filed under the Income Tax Act’ 1961

A. Special tax benefits available to the Company under the Income Tax Act, 1961 (‘the Act’)

1. **Section 32 (1) (iia)** – The company has been claiming Additional Depreciation with regard to the Plant and Machinery acquired by the company during the relevant periods.

2. **Section 35 (1) (iv)** - Capital expenditure incurred on scientific research related to the business carried on by the company is being claimed regularly by the Company.

B. Key Benefits available and tax rates applicable to the shareholders of the Company based on the circumstances and conditions under the Act: -

1. General Tax Benefits available to Resident Shareholders

1. Under section 10(34) of the Act, any income by way of dividends referred to in section 115-O received from a domestic company is exempt from income tax. However, in view of the provisions of section 14A of Act, no deduction is allowed in respect of any expenditure incurred in relation to earning such dividend income. The quantum of such expenditure liable for disallowance is to be computed in accordance with the provisions section 14A read with Rule 8D of the IT Rules.

   Also, section 94(7) of the Act provides that losses arising from the sale/ transfer of shares purchases within a period of three months prior to the record date and sold/ transferred within three months after such date, will be ignored to the extent dividend income on such shares is claimed as tax exempt.

2. As per the provisions of section 10(38) of the Act any Long Term Capital Gains arising from the transfer of shares, where the transaction of sale of such shares is entered into in a recognized stock exchange in India on or after October

1, 2004 and chargeable to Securities Transaction Tax, will be exempt from tax. The equity shares or units of an equity oriented fund are treated as long term assets if it is held for a period of more than 12 months prior to the date of transfer. However, the income by way of Long Term Capital Gains of a company shall be taken into account in computing the book profit and income-tax payable under section 115JB of the Act.

3. Under section 48 of the Act, if the investments in shares are sold after being held for not less than twelve months, the gains, if any, will be treated as long-term capital gains and the gains will be calculated by deducting from the gross consideration, the indexed cost of acquisition and indexed cost of improvement. The indexed cost of acquisition / improvement refers to the cost of acquisition / improvement adjusted by the cost of inflation index, as prescribed from time to time.

4. Under section 112 of the Act, and other relevant provisions of the Act, long term capital gains [not covered under section 10(38) of the Act], arising on transfer of shares/ units, shall be taxed at a rate of 20% (plus applicable surcharge and education cess). The tax shall however, not exceed 10% (plus applicable surcharge and education cess) without indexation, if the transfer is with respect to a listed security or unit or zero coupon bond.

5. In case of an individual or a Hindu Undivided Family, where the total taxable income as reduced by the long term capital gains is less than the basic exemption limit, the long term capital gains will be reduced to the extent of the shortfall and only the balance long term capital gains will be subject to tax in accordance with the proviso to sub section (1) of section 112 of the Act.

6. As per section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under section 10(38) of the Act) arising on transfer of a long-term capital asset will be exempt from tax subject to the limit of INR 50 Lacs in a year if the capital gains are invested in a “long term specified asset” within a period of six months after the date of such transfer.

7. For the above purposes a “long term specified asset” inter-alia means any bond, redeemable after three years and issued on or after the first day of April 2007 by the National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988, or by the Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956.

8. As per the provisions of section 54F of the Act, long term capital gains [not covered under section 10(38)] arising on transfer of shares of the Company held by an individual or Hindu Undivided Family will be exempt from tax if the net consideration is utilised, within a period of one year before, or two years after the date of transfer, in the purchase of a residential house, or for construction of a residential house within three years.

9. Short-term capital gains arising on transfer of the shares (i.e. held for less than 12 months) of the Company will be chargeable to tax at the rate of 15% (plus applicable surcharge and education cess) as per the provisions of section 111A of the Act, if securities transaction tax is chargeable on such transaction. In case of an individual or Hindu Undivided Family, where the total taxable income as reduced by short-term capital gains is below the basic exemption limit, the short-term capital gains will be reduced to the extent of the shortfall and only the balance short-term capital gains will be subjected to such tax in accordance with the proviso to sub-section (1) of section 111A of the Act.

10. The short-term capital gains accruing to the shareholders of the Company on transfer of the shares of the Company otherwise than as mentioned in Paragraph 26 above shall be chargeable to the capital gains tax at the normal tax rate applicable.

11. As per section 70 of the Act, Short Term Capital Loss suffered during the year is allowed to be set-off against short term as well as Long Term Capital Gain of the said year. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years’ short term as well as long term capital gains. Long Term Capital Loss suffered during the year is allowed to be set-off against Long Term Capital Gains only. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years’ Long Term Capital Gains only.

2. General Tax Benefits available and tax rates applicable to Non-resident Indians / Non-resident shareholders (Other than FIIs)

1. Under section 10(34) of the Act, any income by way of dividends referred to in section 115 O received from a domestic company is exempt from income tax. However, in view of the provisions of section 14A of Act, no deduction is allowed in respect of any expenditure incurred in relation to earning such dividend income. The quantum of such expenditure liable for disallowance is to be computed in accordance with the provisions of section 14A read with Rule 8D of the IT Rules.
   Also, section 94(7) of the Act provides that losses arising from the sale/ transfer of shares purchases within a period of three months prior to the record date and sold/ transferred within three months after such date, will be ignored to the extent of dividend income on such shares is claimed as tax exempt.

2. As per section 10(38) of the Act, long term capital gains arising to the shareholder from the transfer of a long term capital asset being an equity share in a company or a unit of an equity oriented fund, where such transaction is chargeable to securities transaction tax, will be exempt in the hands of shareholders. However, the said exemption will not be available to a member being a company while computing the book profit and the tax payable under section 115JB of the Act.

3. In accordance with, and subject to section 48 of the Act, capital gains arising on transfer of shares of the Company which are acquired in convertible foreign exchange shall be computed by converting the cost of acquisition, expenditure in connection with such transfer and full value of the consideration received or accruing as a result of the transfer into the same foreign currency as was initially utilised in the purchase of shares and the capital gains computed in such foreign currency shall be reconverted into Indian currency, such that the aforesaid manner of computation of capital gains shall be applicable in respect of capital gains accruing / arising from every reinvestment thereafter and sale of shares of the Company.

4. As per section 111A of the Act, short term capital gains arising from the sale of equity shares or units of an equity oriented mutual fund, will be chargeable to tax at the rate of 15% (plus applicable surcharge and education cess), if securities transaction tax is chargeable on such transaction.

5. Under section 112 of the Act, long term capital gains [not covered under section 10(38) of the Act], arising on transfer of shares/ units, shall be taxed at a rate of 20% (plus applicable surcharge and education cess). The tax shall however, not exceed 10% (plus applicable surcharge and education cess) without indexation, if the transfer is with respect to a listed security or unit or zero coupon bond.

6. As per section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of a long-term capital asset will be exempt from tax subject to the limit of INR 50 Lacs in a year if the capital gains are invested in a "long term specified asset" within a period of six months after the date of such transfer.

7. For the above purposes a "long term specified asset" inter-alia means any bond, redeemable after three years and issued on or after the first day of April 2007 by the National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988, or by the Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956.

8. As per the provisions of section 54F of the Act, long term capital gains (in cases not covered under section 10(38)) arising on the transfer of the shares of the Company held by an individual or Hindu Undivided Family will be exempt from tax if the net consideration is utilised, with in a period of one year before, or two years after the date of transfer, in the purchase of a residential house, or for construction of a residential house within three years after the date of transfer.

9. Where the business income of an assessee includes profits and gains of business arising from transactions on which securities transaction tax has been charged, such securities transaction tax shall be a deductible expense from business income as per the provisions of section 36(1)(xv) of the Act.

10. As per Section 70 of the Act, short-term capital loss suffered during the year is allowed to be set-off against short-term as well as long-term capital gains of the said year. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' short-term as well as long-term capital gains. Long-term capital loss suffered during the year is allowed to be set-off against long-term capital gains. Balance loss, if any, could be carried forward for eight years for claiming set- off against subsequent years' long term capital gains.

11. The tax rates and consequent taxation mentioned below will be further subject to any benefits available under the Tax Treaty, if any, between India and the country in which the non-resident has fiscal domicile. As per the provisions of section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the Double Taxation Avoidance Agreement ("DTAA") to the extent they are more beneficial to the non-resident. The Tax Treaty benefits could be availed subject to compliance with the prescribed conditions under the Act.

12. Besides the above benefits available to non-residents, Non-Resident Indians (NRIs) have the option of being governed by the provisions of Chapter XII-A of the Act which inter alia entitles them to certain benefits in respect of income from shares of an Indian Company acquired, purchased or subscribed to in convertible foreign exchange.

13. As per section 115A of the Act, where the total income of a Non-resident (not being a company) or of a foreign company includes dividends (other than dividends referred to in section 115O of the Act), tax payable on such income shall be aggregate of amount of income-tax calculated on the amount of income by way of dividends included in the total income, at the rate of 20 per cent (plus applicable surcharge and education cess).

14. In accordance with section 115E of the Act, income from investment or income from long- term capital gains on transfer of assets other than specified asset shall be taxable at the rate of 20% Placement (plus applicable surcharge and education cess). Income by way of long term capital gains in respect of a specified asset (as defined in section 115C (f) of the Act), shall be chargeable at 10% (plus applicable surcharge and education cess).

15. In accordance with section 115F of the Act, subject to the conditions and to the extent specified therein, long-term capital gain arising from transfer of shares of the company acquired out of convertible foreign exchange, and on which securities transaction tax is not chargeable, shall be exempt from capital gains tax, if the net consideration is invested within six months of the date of transfer in any specified asset.

16. In accordance with section 115G of the Act, it is not necessary for a Non-resident Indian to file a return of income under section 139(1) of the Act, if his total income consists only of investment income earned on shares of the company acquired out of convertible foreign exchange or income by way of long term capital gains earned on transfer of shares of the company acquired out of convertible foreign exchange or both, and the tax has been deducted at source from such income under the provisions of Chapter XVII-B of the Act.

17. As per section 115H of the Act, where a non-resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer, along with his return of income for that year under section 139 of the Act to the effect that the provisions of Chapter XII-A shall continue to apply to him in relation to such investment income derived from the specified assets for that year and subsequent assessment years until such assets are transferred or converted into money.

18. In accordance with section 115-I of the Act, where a Non Resident Indian opts not to be governed by the provision of Chapter XII-A for any assessment year, his total income for that assessment year (including income arising from investment in the company) will be computed and tax will be charged according to the other provisions of the Income-tax Act.

3. General Tax Benefits available and tax rates applicable to Foreign Institutional Investors (FIIs)

1. Under section 10(34) of the Act, any income by way of dividends referred to in section 115 O received from a domestic company is exempt from income tax.

However, in view of the provisions of section 14A of the Act, no deduction is allowed in respect of any expenditure incurred in relation to earning such dividend income. The quantum of such expenditure liable for disallowance is to be computed in accordance with the provisions of section 14A read with Rule 8D of the IT Rules. Also, section 94(7) of the Act provides that losses arising from the sale/ transfer of shares purchases within a period of three months prior to the record date and sold/ transferred within three months after such date, will be ignored to the extent dividend income on such shares is claimed as tax exempt.

2. As per section 10(38) of the Act, long term capital gains arising from the transfer of a long term capital asset being an equity share in a company or a unit of an equity oriented fund, where such transaction is chargeable to securities transaction tax, will be exempt.

3. Under section 115AD(1)(b)(iii) of the Act, income by way of long-term capital gains arising from the transfer of shares held in the Company not covered under Paragraph 48 above will be chargeable to tax at the rate of 10% (plus applicable surcharge and education cess) without indexation benefit.

4. As per section 115AD read with section 111A of the Act, short term capital gains arising from the sale of equity shares of the Company transacted through a recognized stock exchange in India, where such transaction is chargeable to securities transaction tax, will be taxable at the rate of 15% (plus applicable surcharge and education cess).

5. Under section 115AD(1)(b)(ii) of the Act, income by way of short- term capital gains arising from the transfer of shares held in the Company not covered under Paragraph 50 above will be chargeable to tax at the rate of 30% (plus applicable surcharge and education cess).

6. As per section 196D(2) of the Act, no deduction of tax at source will be made in respect of income by way of capital gain arising from the transfer of securities referred to in section 115AD.

7. The tax rates and consequent taxation mentioned above will be further subject to any benefits available under the Tax Treaty, if any between India and the country in which the FII has fiscal domicile. As per the provisions of section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the Tax Treaty to the extent they are more beneficial to the FII. The Tax Treaty benefits could be availed subject to compliance with the prescribed conditions under the Act.

8. As per section 70 of the Act, short-term capital loss suffered during the year is allowed to be set-off against short-term as well as long-term capital gains of the said year. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' short-term as well as long-term capital gains. Long-term capital loss suffered during the year is allowed to be set-off against long-term capital gains. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' long-term capital gains.

9. Where the business income of an assessee includes profits and gains of business arising from transactions on which securities transaction tax has been charged, such securities transaction tax shall be a deductible expense from business income as per the provisions of section 36(1) (xv) of the Act.

10. As per section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of a long-term capital asset will be exempt from tax subject to the limit of INR 50 Lacs in a year if the capital gains are invested in a "long term specified asset" within a period of six months after the date of such transfer.

For the above purposes a "long term specified asset" inter-alia means any bond, redeemable after three years and issued on or after the first day of April 2007 by the National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988, or by the Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956.

4. General Tax Benefits available to Mutual Funds

15. Under section 10(34) of the Act, any income by way of dividends referred to in section 115-O of the Act received from a domestic company is exempt from income tax. In view of the provisions of section 14A of the Act, no deduction is allowed in respect of any expenditure incurred in relation to earning such dividend income. The quantum of such expenditure liable for disallowance is to be computed in accordance with the provisions of section 14A read with Rule 8D of the IT Rules.

    Also, section 94(7) of the Act provides that losses arising from the sale/ transfer of shares purchases within a period of three months prior to the record date and sold/ transferred within three months after such date, will be ignored to the extent dividend income on such shares is claimed as tax exempt.

16. Under section 10(23D) of the Act, any income of:

    1) A Mutual Fund registered under the Securities and Exchange Board of India Act, 1992 or regulations made there under;
    2) Such other Mutual Fund set up by a public sector bank or a public financial institution or authorized by the Reserve Bank of India and subject to such conditions as the Central Government may, by notification in the Official Gazette, specify in this behalf will be exempt from income-tax.

5. General Tax Benefits available to Venture Capital Companies / Funds

1) Any income received by venture capital companies or venture capital funds set up to raise funds for investment in a venture capital undertaking registered with the Securities and Exchange Board of India, subject to conditions specified in section 10(23FB) of the Act, is eligible for exemption from income-tax. However, the income distributed by the Venture Capital Companies/ Funds to its investors would be taxable in the hands of the recipient.

2) As per Section 14A, no deduction shall be allowed in respect of expenditure incurred by the assessee in relation to income which does not form part of the total income under this Act. Also, Section 94(7) of the Act provides that losses arising from the sale/ transfer of shares or units purchased within a period of three months prior to the record date and sold/ transferred within three months or nine months respectively after such date, will be ignored to the extent dividend income on such shares or units is claimed as tax exempt.

The above details are to be included in the preliminary Placement Document and the Placement document, as amended and supplemented thereto or any other written material in connection with the proposed issue.

Sd/-

For M/s. BVS & Associates
Chartered Accountants
Firm No – 011097S

B.S.Balaji
Membership No - 212368
Partner
Date: October 1, 2014

LEGAL PROCEEDINGS

Except as described below, we are not involved in any legal proceedings, and we are not aware of any threatened legal proceedings, which if determined adversely, could result in a material adverse effect on our business, financial condition or results of operations. We believe that the number of proceedings in which we are involved is not unusual for a Company of our size in the context of doing business in India. Our Company has no outstanding defaults in relation to repayment of statutory dues payable, dues payable to holders of any debentures and interest thereon, and in respect of deposits and interest thereon, repayment of loans from any bank or financial institution and interest thereon.

I. Litigations involving the Company

A. Against our Company

Income Tax Appeal No. 381 of 2012 filed by the Commissioner of Income Tax and The District Commissioner and The Deputy Commissioner of Income Tax (Appellants) against Dynamatic Technologies Limited ("Respondent") before the High Court of Karnataka at Bangalore

The Respondent Company had filed a return of income disclosing a total income of Rs. 5, 93, 12, 775/- for the assessment year 2005-06. The return was taken up for scrutiny and consequent to a hearing an order dated December 12, 2007 was passed by the Assessing officer (ACIT, Circle-11(1) disallowing an income to the extent of Rs 34, 02, 550/-. Aggrieved by the order of the Assessing Officer the Respondent filed an appeal before the Commissioner of Income Tax (Appeals) who had by order dated April 9, 2010 allowed the said Appeal and accepted the plea of the Respondent. Aggrieved by the order of Commissioner of Income Tax (Appeals) the Appellants preferred an appeal before The Income Tax Appellate Tribunal ("Tribunal"). The Tribunal has vide order dated June 29, 2012 deleted the addition of Rs 34, 02, 550/- and disallowed the income under section 14 A of the Income Tax Act. The above appeal has been filed by the Appellants upon being aggrieved by the order of the Tribunal.

There same is admitted to examine the substantial question of law as indicated in memorandum of appeal.

Labour Matters

Claim under Section 2-A read with Section 10(4-A)(Karnataka Amendment) of the Industrial Disputes Act, 1947 Ref No. 15 of 2013 before the Hon'ble Additional Labour Court at Bangalore filed by Sri D. V. Venkataswamy (Party/Workman) against The Managing Director Dynamatic Technologies Limited (Party A) and The Director, JKM Human Resources Private Limited (Party B). (Party A and party B are collectively called the "Management")

The above claim is filed by the Workman on being aggrieved by the order of termination dated February 12, 2013 stating *inter alia* that as the situation in the industry was not good they were not in a position to recruit the Workman. He has *inter alia* prayed that:

a. The order of termination dated February 12, 2013 be set aside, and
b. That a direction should be passed to reinstate him in to services with full wages, continuity of services and other consequential benefits

The Management of the Company (Party A) has by a Counter Statement dated July 2, 2014 responded to the Claim and denied all the claims of the Workman and inter alia stating that there was no employer employee relationship between the Party A and Workman.

At the last hearing held on October 10, 2014 the same was adjourned to November 20, 2014 for evidence of the Claimants.

Claim under Section 2-A read with Section 10(4-A)(Karnataka Amendment) of the Industrial Disputes Act, 1947 Ref No. 16 of 2013 before the Hon'ble Additional Labour Court at Bangalore filed by Krishna Murthy C

(Party/Workman) against The Managing Director Dynamatic Technologies Limited (Party A) and The Director, JKM Human Resources Private Limited (Party B). (Party A and party B are collectively called the "Management")

The above claim is filed by the Workman on being aggrieved by the order of termination dated February 12, 2013 stating *inter alia* that as the situation in the industry was not good they were not in a position to recruit the Workman. He has *inter alia* prayed that:

a. The order of termination dated February 12, 2013 be set aside, and
b. That a direction should be passed to reinstate him in to services with full wages, continuity of services and other consequential benefits

The Management of the Company (Party A) has by a Counter Statement dated July 2, 2014 responded to the Claim and denied all the claims of the Workman and inter alia stating that there was no employer employee relationship between the Party A and Workman.

At the last hearing held on October 10, 2014 the same was adjourned to November 20, 2014 for evidence of the Claimants.

Claim under Section 2-A read with Section 10(4-A)(Karnataka Amendment) of the Industrial Disputes Act, 1947 Ref No. 17 of 2013 before the Hon'ble Additional Labour Court at Bangalore filed by Maruthi A (Party/Workman) against The Managing Director, Dynamatic Technologies Limited (Party A) and The Director, JKM Human Resources Private Limited (Party B). (Party A and party B are collectively called the "Management")

The above claim is filed by the Workman on being aggrieved by the order of termination dated February 12, 2013 stating *inter alia* that as the situation in the industry was not good they were not in a position to recruit the Workman. He has *inter alia* prayed that:

a. The order of termination dated February 12, 2013 be set aside, and
b. That a direction should be passed to reinstate him in to services with full wages, continuity of services and other consequential benefits

The Management of the Company (Party A) has by a Counter Statement dated July 2, 2014 responded to the Claim and denied all the claims of the Workman and inter alia stating that there was no employer employee relationship between the Party A and Workman.

At the last hearing held on October 10, 2014 the same was adjourned to November 20, 2014 for evidence of the Claimants.

Claim under Section 2-A read with Section 10(4-A)(Karnataka Amendment) of the Industrial Disputes Act, 1947 Ref No. 18 of 2013 before the Hon'ble Additional Labour Court at Bangalore filed by Madhav Shankar D.S (Party/Workman) against the Managing Director, Dynamatic Technologies Limited (Party A) and The Director, JKM Human Resources Private Limited (Party B). (Party A and party B are collectively called the "Management")

The above claim is filed by the Workman on being aggrieved by the order of termination dated February 12, 2013 stating *inter alia* that as the situation in the industry was not good they were not in a position to recruit the Workman. He has *inter alia* prayed that:

a. The order of termination dated February 12, 2013 be set aside, and
b. That a direction should be passed to reinstate him in to services with full wages, continuity of services and other consequential benefits.

The Management of the Company (Party A) has by a Counter Statement dated July 2, 2014 responded to the Claim and denied all the claims of the Workman and inter alia stating that there was no employer employee relationship between the Party A and Workman.

At the last hearing held on October 10, 2014 the same was adjourned to November 20, 2014 for evidence of the Claimants.

Claim under Section 2-A read with Section 10(4-A)(Karnataka Amendment) of the Industrial Disputes Act, 1947 Ref No. 19 of 2013 before the Hon'ble Additional Labour Court at Bangalore filed by Ramesh D.S (Party/Workman) against The Managing Director Dynamatic Technologies Limited (Party A) and The Director, JKM Human Resources Private Limited (Party B). (Party A and party B are collectively called the "Management")

The above claim is filed by the Workman on being aggrieved by the order of termination dated February 12, 2013 stating *inter alia* that as the situation in the industry was not good they were not in a position to recruit the Workman. He has *inter alia* prayed that:

a. The order of termination dated February 12, 2013 be set aside, and
b. That a direction should be passed to reinstate him in to services with full wages, continuity of services and other consequential benefits.

The Management of the Company (Party A) has by a Counter Statement dated July 2, 2014 responded to the Claim and denied all the claims of the Workman and inter alia stating that there was no employer employee relationship between the Party A and Workman.

At the last hearing held on October 10, 2014 the same was adjourned to November 20, 2014 for evidence of the Claimants.

Claim under Section 2-A read with Section 10(4-A)(Karnataka Amendment) of the Industrial Disputes Act, 1947 Ref No. 20 of 2013 before the Hon'ble Additional Labour Court at Bangalore filed by S Anjan Kumar (Party/Workman) against The Managing Director Dynamatic Technologies Limited (Party A) and The Director, JKM Human Resources Private Limited (Party B). (Party A and party B are collectively called the "Management")

The above claim is filed by the Workman on being aggrieved by the order of termination dated February 12, 2013 stating *inter alia* that as the situation in the industry was not good they were not in a position to recruit the Workman. He has *inter alia* prayed that:

a. The order of termination dated February 12, 2013 be set aside, and
b. That a direction should be passed to reinstate him in to services with full wages, continuity of services and other consequential benefits.

The Management of the Company (Party A) has by a Counter Statement dated July 2, 2014 responded to the Claim and denied all the claims of the Workman and inter alia stating that there was no employer employee relationship between the Party A and Workman.

At the last hearing held on October 10, 2014 the same was adjourned to November 20, 2014 for evidence of the Claimants.

Claim under Section 2-A read with Section 10(4-A)(Karnataka Amendment) of the Industrial Disputes Act, 1947 Ref No. 21 of 2013 before the Hon'ble Additional Labour Court at Bangalore filed by Sri Nagesh N (Party/Workman) against The Managing Director Dynamatic Technologies Limited (Party A) and The Director, JKM Human Resources Private Limited (Party B). (Party A and Party B are collectively called the "Management")

The above claim is filed by the Workman on being aggrieved by the order of termination dated February 12, 2013 stating *inter alia* that as the situation in the industry was not good they were not in a position to recruit the Workman. He has *inter alia* prayed that:

a. The order of termination dated February 12, 2013 be set aside, and
b. That a direction should be passed to reinstate him in to services with full wages, continuity of services and other consequential benefits.

The Management of the Company (Party A) has by a Counter Statement dated July 2, 2014 responded to the Claim and denied all the claims of the Workman and inter alia stating that there was no employer employee relationship between the Party A and Workman.

At the last hearing held on October 10, 2014 the same was adjourned to November 20, 2014 for evidence of the Claimants.

Claim under Section 2-A read with Section 10(4-A)(Karnataka Amendment) of the Industrial Disputes Act, 1947 Ref No. 29 of 2013 before the Hon'ble Additional Labour Court at Bangalore filed by Manjunatha Kumar D.U (Party/Workman) against the Managing Director, Dynamatic Technologies Limited (Party A) and The Director, JKM Human Resources Private Limited (Party B). (Party A and party B are collectively called the "Management")

The above claim is filed by the Workman on being aggrieved by the order of dismissal dated April 24, 2013 passed by the Management pursuant to enquiry findings on February 26, 2013 submitted by an independent enquiry officer, holding that the Workman guilty of misconduct under Clause 15(3) (h) and 15 (3) (I) of the model standing Orders . He has *inter alia* prayed that:

a. The order of dismissal dated April 24, 2013 passed by the Party B be set aside, and
b. That a direction should be passed to reinstate him in to services with full wages, continuity of services and other consequential benefits

At the last hearing held on October 10, 2014 the same was adjourned to November 29, 2014 for counter objections by the Respondents.

B. By our Company

Criminal Complaint No. 24173 of 2009 filed by Dynamatic Technologies Limited ("Company/Complainant") against Akshaya Special Machines Private Limited (First Accused/Accused Company) , Mr Arivalagan ("Second Accused") and Mr Anand Murthy ("Third Accused") before the Court of Additional Chief Metropolitan Magistrate, Bangalore under Section 138 of the Negotiable Instrument

The criminal complaint is under Section 138 of the Negotiable Instrument Act. The Second Accused is the managing director of the first Accused Company and the Third Accused is the Director of the Accused Company. It has been alleged by the Company that the Accused Company had issued a cheque No. 305327 dated October 28, 2008 drawn on Canara Bank for an amount of Rs 50,000/- and another cheque No. 305328 dated October 30, 2008 drawn on Canara Bank for an amount of Rs 49,488/- in lieu of the purchase of manufacturing and supplying power packs. Upon presentation of the above said cheques at the Bank the Complainant noted that both cheques were dishonoured with a comment “Exceeds arrangement”. The Complainant has then issued a legal notice on March 17, 2009 as required under Section 138 of the Negotiable Instrument Act

The same is pending for framing of charges. Next date for hearing is November 6, 2014

Criminal Complaint No. 22175 of 2008 filed by Dynamatic Technologies Limited (“Company/Complainant”) against M/s Tejaswani Industries (First Accused/Accused Company) and Mr Babu Sing (“Second Accused”) before the Court of Additional Chief Metropolitan Magistrate, Bangalore under Section 138 of the Negotiable Instrument Act

The criminal complaint is under Section 138 of the Negotiable Instrument Act. The Second Accused is the proprietor of the First Accused. It has been alleged by the Company that the Accused Company had issued a cheque No. 889711 dated May 2, 2008 drawn on State Bank Of India for an amount of Rs 3,00,000/- in lieu purchase of 3 ton capacity plate box edit crane, gantry girder and rails and for erection and painting. Upon presentation of the said cheque at the Bank the Complainant noted that the cheque was dishonoured with a comment “Funds Insufficient”. The Complainant has then issued a legal notice on June 11, 2008 as required under Section 138 of the Negotiable Instrument Act.

The last hearing was held on September 10, 2014 where it has directed that a non bailable warrant to be issued against Mr Babu Sing. Next date for hearing is December 27, 2014

CS(OS) No. 3356/2012 filed by Dynamatic Technologies Limited (“Plaintiff”) against Renish Bhaskar & Ors (“Defendant”) before the High Court at New Delhi, New Delhi

This is a suit for permanent injunction, infringement, passing off of copyright under the Copyright Act, 1957. It has been alleged by the Plaintiff that the Defendants have copied and reproduced the engineering drawings, product specifications and data sheet including pages from the Plaintiff’s website of and relating to Plaintiff’s copyright in 1P-P3000 Series gear pumps. The plaintiff has *inter alia* prayed that permanent injunction restraining the defendants by themselves or by their directors, partners, proprietors, subordinates, agent, sales personnel or servants from using, copying or passing off the copyright existing in 1P- P3000 Series gear pump and a commissioner be appointed for custody of the existing stock.

The last hearing was held on July 5, 2014 where the court has adjourned it to October 13, 2014 for hearing of the Injunction Application.

C. Details of past penalties imposed on our Company

NIL

D. Notices received by our Company

NIL

II. Litigations involving our Promoters during the last three years immediately preceding year.

NIL

III. Proceedings under the Companies Act

There has been no inquiry, inspection or investigations initiated or conducted against our Company under the Companies Act, 2013 or any previous company law in the last three years immediately preceding the year of circulation of this

Preliminary Placement Document. Further, there have not been any prosecutions filed (whether pending or not), fines imposed, compounding of offences under the Companies Act, 2013 or any previous company law, in the last three years immediately preceding the year of circulation of this Preliminary Placement Document with respect to our Company.

IV. Material Frauds against our Company

There have been no material frauds committed against our Company in the last three years.

V. Litigations involving our Subsidiary

(i) Against the Subsidiary

OS No. 73 of 2011 has been filed by T.R Kishore Kumar, T.N Santosh Kumar (Plaintiffs) against Sri Annaiah (Defendant No. 1) and JKM Research Farm Limited (Defendant No. 2) before the Court of Civil Judge Senior Division, Dodaballapura

This is a suit for dispute in relation to ownership of property at Survey No. 23,24,25,26,29/3 , 29 (5) and 29 (45) all situated at Narasaiahna Agrahara, Madhure Hobli, Daddaballapura Taluk, Bangalore District and all that piece and parcel of land bearing survey Nos 3/2,3/3,3/4,7/2,2/1 and 8/1 situated at Kalludevanahalli, Doddabalavangala Hobli, Daddaballapura Taluka, Bangalore District ("Property"). It has been alleged by the Plaintiff that the Defendant No. 1 by a Sale Agreement dated March 15, 2004 had transferred the possession of the Property to the Plaintiffs. It had been agreed that the balance consideration would be payable upon registration. The Plaintiff has alleged that despite their repeated reminders the Defendant No 1 kept postponing the execution of the Sale Deed. The Plaintiff has further alleged that the Defendant No. 1 had executed a sale deed dated February 24, 2010 and transferred the Property in favor of Defendant No. 2. The Plaintiff has *inter alia* prayed for the following reliefs:

(i) Declaration that O. S No. 62 in WP No. 34200/2009 on basis of which a compromise had been arrived between the Defendant No. 1 and 2 shall not be binding.
(ii) Declaration that Sale Deed dated February 24, 2010 as not binding.
(iii) Restraining the Defendant No. 2 from alienating the Property.

The Defendant No. 2 has vide a Written Statement dated October 26, 2011 denied all the contentions of the plaintiff and has stated that Defendant No. 2 is the absolute owner of the property and is in peaceful possession and enjoyment of the property.

The suit is pending for hearing on Interim Application and the next date for hearing is November 14, 2014

O.S No 590 of 2008 by Smt. Gayathri , Smt Saroja, Smt Kumari Savithri and Smt Shashikala ("Plaintiff") against Sri Manjunath (Defendant No. 1), Sri P Annaiah (Defendant No. 2), JKM Research Farm Limited (Defendant No. 3) and Smt. Lakshmamma (Defendant No. 4) ("Defendants") before the Court of Civil Judge (Junior Division) at Doddaballapur

This is a suit for for declaration over the title and partition of property at Survey. No 23 measuring 8 Acres and 15 guntas and including 1 Acre and 3 guntas kharab land of Narasayana Agrahara village, Madhure Hobil, D.B.pur Taluk ("Property"). Defendant No. 3 has purchased the Property from Defendant No. 2. The Defendant No. 2 had purchased the Property from the father of Plaintiffs and Defendant No.1and the terms for the same have been recorded in Sale Deed bearing registration No. 2263/97-98 dated December 22, 1997. The Plaintiff has alleged that the Property is an ancestral property and therefore cannot be sold by Defendant No. 2. The Plaintiff has claimed 1/5 share in property. The Plaintiffs have *inter alia* prayed for the following reliefs:

(a) That the Court should declare that the Plaintiffs are entitled to 1/5th share.
(b) Declaration that the Sale Deed bearing registration No. 2263/97-98 dated December 22, 1997 is null and void

(c) Direction to the Deputy Commissioner, Bangalore to affect partition and put the plaintiffs in possession of $1/5^{th}$ share of the Property
(d) Direction for an enquiry into mesne profits from the date of filing till the date of disposal Under Order XX Rule 12 of Civil Procedure Code.

The Defendant No. 3 has by a written statement dated November 28, 2011 denied all the claims of the Plaintiffs and have *inter alia stated* that the Plaintiffs have no rights whatsoever over the property and the suit is barred by Limitation. It has also contended that the property was acquired in terms of the consent terms dated April 22, 2010 in OS No. 62/2004 and Writ Petition 34200/09.

The last hearing was held on September 23, 2014 where the same is at the evidence stage for the evidence of the Defendant. Next date of hearing is October 13, 2014.

(ii) By the Subsidiary

O.S Suit No. 190 of 2002 filed by JKM Research Farm Limited ("Plaintiff) against Classic Biotech and Exports Limited ("Defendant") before the Court of Civil Judge (Senior Division) at Dodaballapura.

This suit is for recovery of amounts due from the Defendant The Plaintiff had supplied 58,850 plants to the Defendant of the value Rs 34, 62, 700/-. The Defendant had paid an advance of Rs 12, 00, 000/-. The Plaintiff had by various letters addressed to the Defendant requested the Defendant to make the payment of balance amount of Rs 22, 62, 700/-. After repeated demands the Defendant issued cheques in part payment of the amounts due, however the same were dishonoured upon presentation. The Plaintiff had vide a letter dated July 1, 1997 intimating the Defendant about the dishonour of cheques. By a letter dated July 23, 1998 addressed by the Defendant to the Plaintiff, the Defendant had confirmed the amount due. Thereafter despite various negotiations and exchange of oral and written communications the Defendant had failed to make the payment to the Plaintiff. It has been alleged by the Plaintiff that, after taking into consideration the royalty and other charges the Plaintiff had concluded that an pay an amount of Rs 26,89,606/- was due and payable to the Plaintiff. The Plaintiff had therefore filed the proceedings inter alia for:

(a) Directing the Defendants to pay an amount of Rs 26,89,606/- with further interest at the rate of 24 % from the date of the suit till the date of realization

The suit is pending for cross examination of the Defendant. Next date for hearing is October 15, 2014

(iii) Potential Litigation against the Subsidiary

OS No. 74 of 2010 has been filed by T.R Kishore Kumar, T.N Santosh Kumar (Plaintiffs) against Sri Annaiah (Defendant) before the Court of Civil Judge Senior Division, Dodaballapura

This is a suit for specific performance of Sale Agreement dated March 15, 2004 in relation to ownership of property at Survey No. 23,24,25,26,29/3 , 29 (5) and 29 (45) all situated at Narasaiahna Agrahara, Madhure Hobli, Daddaballapura Taluk, Bangalore District and all that piece and parcel of land bearing survey Nos 3/2,3/3,3/4,7/2,2/1 and 8/1 situated at Kalludevanahalli, Doddabalavangala Hobli, Daddaballapura Taluk, Bangalore District ("Property"). It has been alleged by the Plaintiffs that that the Defendant by a Sale Agreement dated March 15, 2004 had transferred the possession of the Property to the Plaintiffs. It had been agreed as per the terms of the Sale Agreement dated March 15, 2004 that the balance consideration would be payable upon registration. The Plaintiff has alleged that despite their repeated reminders the Defendant kept postponing the execution of the Sale Deed. It has been prayed *inter alia* for:

(i) Specific performance of the Sale Agreement dated march 15, 2004
(ii) Restraining the defendant from interfering with the peaceful possession of the Palintiff
(iii) Restraining the Defendant from alienating the Property

The Defendant has filed an Impleading Application dated May 24, 2010 for bringing JKM Research Farm Limited on record. The same is pending.

The next date for the hearing is fixed on November 14, 2014.

VI. details of inquires, inspection or investigation under the Companies Act, 2013 or any previous companies' law

There has been no inquiry, inspection or investigations initiated or conducted under the Companies Act, 2013 or any previous company law in the last three years immediately preceding the year of circulation of this Preliminary Placement Document against our Company or our Subsidiaries.

There have not been any prosecutions filed (whether pending or not), fines imposed or compounding of offences under the Companies Act, 2013 or any previous company law, in the last three years immediately preceding the year of circulation of this Preliminary Placement Document involving our Company or our Subsidiaries.

(i) Compounding Application filed by the Company:

The Company has filed a Compounding Application dated April 27, 2010 by way of Form-61 with Registrar of Companies, Karnataka, Bangalore under Section 212 of the Companies Act for submission of balance-sheet of the Company to include certain particulars as to its subsidiaries. However, the compounding application is pending with the RoC, Karnataka, Bangalore.

INDEPENDENT ACCOUNTANTS

B S R & Associates LLP (which has been converted from B S R & Associates into B S R & Associates LLP (a limited liability partnership) with effect from 14 October 2013), Chartered Accountants (a limited liability partnership) having its office at Maruthi Infotech Centre, 2nd Floor, 11-12/1 Inner Ring Road, Koramangala, Bangalore – 560 071 were appointed as statutory auditors of the Company in the Annual General Meeting dated August 25, 2009 and were re-appointed at each Annual General Meeting till the conclusion of Annual General Meeting held on August 14, 2014. B S R & Co. LLP, Chartered Accountants (a limited liability partnership) having office at Maruthi Infotech Centre, 2nd Floor, 11-12/1 Inner Ring Road, Koramangala, Bangalore – 560 071, have been appointed as Statutory Auditors (the "Auditors") of the Company in its Annual General Meeting dated August14, 2014. Please see the section, "*Financial Statements*" beginning on page 148 for further information.

GENERAL INFORMATION

1. We were incorporated under the laws of the Republic of India on March 7, 1973. As of the date of this Preliminary Placement Document, our authorized capital is Rs. 2,500 Lacs divided into 200 Lacs Equity Shares of Rs. 10 each and 5 Lacs Redeemable Cumulative Preference Shares of Rs. 100 each. As of the date of this Preliminary Placement Document, 60,41,443 Equity Shares of Rs. 10 each were paid up and outstanding.

2. Our Registered Office is located at Dynamatic Park, Peenya, Bangalore – 560 058, Karnataka, India.

3. Under our Memorandum of Association, our principal objects are to carry out the business described in the section "*Business*". The objects are set out in Clause III of our Memorandum of Association.

4. The Issue was authorized and approved by our Board of Directors by resolutions dated September 8, 2014, approved by the duly authorized Finance Committee of the Board of Directors pursuant to a resolution dated September 13, 2014 and approved by our shareholders by resolutions dated October 11, 2014.

5. We have applied for in-principle approvals from the Stock Exchanges under Clause 24(a) of the Listing Agreements with the Stock Exchanges for the issue of the Equity Shares. We have received in-principle to list our Equity Shares to be issued in the Issue on the BSE and the NSE on October 13, 2014. We will apply for final approvals to list our Equity Shares to be issued in the Issue on the BSE and the NSE.

6. Copies of our Memorandum and Articles of Association will be available for inspection during usual business hours on any weekday (except Saturdays and public holidays) during the offering period at our Registered Office.

7. Other than as set forth in this Preliminary Placement Document, there has been no significant change in our financial results since March 31, 2014, the date of our last audited financial statements.

8. Except as disclosed in this Preliminary Placement Document, we are not involved in any material legal proceedings and we are not aware of any threatened legal proceedings, which, if determined adversely, could result in a material adverse effect on our business, financial condition or results of operations.

9. Our Company has obtained necessary consents, approvals and authorisations required in connection with the Issue.

10. B S R & Associates LLP (which has been converted from B S R & Associates into B S R & Associates LLP (a limited liability partnership) with effect from 14 October 2013), Chartered Accountants (a limited liability partnership) having its office at Maruthi Infotech Centre, 2nd Floor, 11-12/1 Inner Ring Road, Koramangala, Bangalore – 560 071 were appointed as statutory auditors of the Company in the Annual General Meeting dated August 25, 2009 and were re-appointed at each Annual General Meeting till the conclusion of Annual General Meeting held on August 14, 2014. B S R & Co. LLP, Chartered Accountants (a limited liability partnership) having office at Maruthi Infotech Centre, 2nd Floor, 11-12/1 Inner Ring Road, Koramangala, Bangalore – 560 071, have been appointed as Statutory Auditors (the "Auditors") of the Company in its Annual General Meeting dated August 14, 2014.

11. We confirm that we are in compliance with minimum public shareholding requirements under the terms of our Listing Agreements with the Stock Exchanges.

12. The Floor Price for the Issue is Rs. 1,835.68 per Equity Share calculated in accordance with Regulation 85 of the SEBI ICDR Regulations.

13. Our Company may offer a discount of not more than 5% on the Floor Price in terms of Regulation 85 of the SEBI ICDR Regulations.

FINANCIAL STATEMENTS

INDEX

Sr. No.	Contents	Page No.
1.	Auditor’s Report and Consolidated Financial Statements for the years ended March 31, 2014	F – 1
2.	Auditor’s Report and Consolidated Financial Statements for the years ended March 31, 2013	F – 37
3.	Auditor’s Report and Consolidated Financial Statements for the years ended March 31, 2012	F – 75
4.	Unaudited financial results of our Company as of and for the three months’ period ended June 30, 2014	F – 113

B S R & Associates LLP

Chartered Accountants

Maruthi Info-Tech Centre
11-12/1 Inner Ring Road
Koramangala
Bangalore 560 071 India

Telephone: + 91 80 3980 6000
Fax: + 91 80 3980 6999

Independent Auditor's Report

To the Board of Dynamatic Technologies Limited

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Dynamatic Technologies Limited ("the Company"), its subsidiaries and an associate (collectively called 'the Group'), which comprise the consolidated balance sheet as at 31 March 2014, the consolidated statement of profit and loss and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the Auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the Auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedure that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

B S R & Associates LLP
Bangalore 560 071
Chartered Accountants

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements 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 consolidated balance sheet, of the state of affairs of the Group as at 31 March 2014;

(ii) in the case of the consolidated statement of profit and loss, of the profit of the Group for the year ended on that date; and

(iii) in the case of the consolidated cash flow statement, of the cash flows of the Group for the year ended on that date.

Other matter

We did not audit the financial statements and other financial information of certain subsidiaries and an associate which have been incorporated in the consolidated financial statements. These subsidiaries and the associate account for 42.84% of total assets as at 31 March 2014, 72.14% of the aggregate of total revenue from operations (net) and other income for the year ended 31 March 2014 and Rs 2,490 lacs net decrease in cash and cash equivalents for the year ended 31 March 2014, 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 42.20% of total assets as at 31 March 2014, 72.14% of the aggregate of total revenue from operations (net) and other income for the year ended 31 March 2014 and Rs 2,470 lacs net decrease in cash and cash equivalents for the year ended 31 March 2014 as shown in these consolidated financial statements. For purposes of preparation of the 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 solely on the report of these other auditors.

b. The financial statements and other financial information of the remaining subsidiaries and the associate have not been subjected to audit either by us or by other auditors, and therefore, the unaudited financial statements of these entities have been furnished to us by the Management. These subsidiaries and associate account for 0.64% of total assets as at 31 March 2014 and Rs 20 lacs net decrease in cash and cash equivalents for the year ended 31 March 2014 as shown in these consolidated financial statements, and therefore are not material to the consolidated financial statement, either individually or in aggregate.

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

Vineet Dhawan
Partner
Membership number: 092084
Place: Bangalore
Date: 28 May 2014

DYNAMATIC TECHNOLOGIES LIMITED
Consolidated balance sheet as at

(Rs. in lacs)

	Note	31 March 2014	31 March 2013
Equity and liabilities			
Shareholders' funds			
Share capital	3	554	541
Reserves and surplus	4	13,761	11,573
Money received against share warrants	44	1,000	1,250
		15,315	**13,364**
Minority Interest	4(a)	**264**	**3,295**
Non-current liabilities			
Long-term borrowings	5	36,185	34,416
Deferred tax liabilities (net)	6	3,411	3,131
Other long-term liabilities	7	1,385	1,916
Long-term provisions	8	288	182
		41,269	**39,645**
Current liabilities			
Short-term borrowings	9	10,077	17,433
Trade payables	10	27,625	24,441
Other current liabilities	11	19,529	20,281
Short-term provisions	12	1,566	2,806
		58,797	**64,961**
		115,645	**121,265**
Assets			
Non current assets			
Goodwill		6,788	6,788
		6,788	**6,788**
Fixed assets			
- Tangible fixed assets	13	59,672	56,709
- Intangible fixed assets	13	2,235	2,602
- Capital work in progress		278	7,422
- Intangible fixed assets under development		-	188
		62,185	**66,921**
Non current investments	14	1	1
Deferred tax assets (net)	6	-	-
Long-term loans and advances	15	2,499	2,160
Other non-current assets	16	1,103	357
		3,603	**2,518**
Current assets			
Inventories	17	22,799	20,253
Trade receivables	18	10,163	14,612
Cash and bank balances	19	4,410	5,734
Short-term loan and advances	20	2,916	2,301
Other current assets	21	2,781	2,138
		43,069	**45,038**
		115,645	**121,265**

Significant accounting policies 2

The notes referred to above form an integral part of the financial statements.

As per our report of even date attached

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

Vineet Dhawan
Partner
Membership number: 092084

Place: Bangalore
Date: 28 May 2014

for and on behalf of the Board of Directors of
Dynamatic Technologies Limited

Udayant Malhoutra
CEO and Managing Director

Vijai Kapur
Chairman

Hanuman Sharma
Chief Financial Officer

Naveen Chadra P
DGM- Compliance, Legal & Company Secretary

Place: Bangalore
Date: 28 May 2014

DYNAMATIC TECHNOLOGIES LIMITED

Consolidated statement of profit and loss for the year ended

	Note	31 March 2014	(Rs. in lacs) 31 March 2013
Revenue from operations			
Sale of products (gross)		159,350	147,539
Less: excise duty		(5,105)	(5,581)
Sale of products (net)		**154,245**	**141,958**
Contract revenue	39	2,946	1,759
Other operating revenues	22	1,563	1,496
		158,754	**145,213**
Other income	23	1,536	545
Total revenue		**160,290**	**145,758**
Expenses			
Cost of materials and components consumed	24	89,825	85,673
Change in inventories of finished goods and work-in-progress	25	(707)	(1,539)
Employee benefits	26	22,156	18,914
Finance costs	27	9,973	8,227
Depreciation and amortisation		5,126	4,638
Other expenses	28	31,187	28,615
Total expenses		**157,560**	**144,528**
Profit before exceptional items and tax		2,730	1,230
Exceptional items	29	(150)	-
Profit before tax		**2,580**	**1,230**
Tax expense			
Current tax		893	1,124
Minimum alternative tax charge		23	-
Minimum alternative tax entitlement		(23)	-
Deferred tax charge		310	1,297
Profit/ (loss) after tax		**1,377**	**(1,191)**
Earning per equity share [nominal value of share Rs.10 each (previous year Rs.10 each)]			
Basic and diluted		25.42	(22.00)
Number of shares used in computing earnings per share			
Basic and diluted	41	5,416,763	5,414,703
Significant accounting policies	2		

The notes referred to above form an integral part of the financial statements.

As per our report of even date attached

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

Vineet Dhawan
Partner
Membership number: 092084

Place: Bangalore
Date: 28 May 2014

for and on behalf of the Board of Directors of
Dynamatic Technologies Limited

Udayant Malhoutra
CEO and Managing Director

Vijai Kapur
Chairman

Hanuman Sharma
Chief Financial Officer

Naveen Chadra P
DGM- Compliance, Legal & Company Secretary

Place: Bangalore
Date: 28 May 2014

15

DYNAMATIC TECHNOLOGIES LIMITED

Consolidated Cash Flow Statement for the year ended

	31 March 2014	31 March 2013
		(Rs. in lacs)
Cash flow from operating activities		
Profit before tax	2,580	1,230
Adjustments:		
Depreciation and amortisation	5,126	4,638
Finance costs	9,973	8,456
Interest income	(97)	(60)
Debts / advances written off	238	40
Provision for doubtful debts	(21)	444
Unrealised foreign exchange differences, net	68	205
(Profit) / loss on sale of fixed asset, net	(1,246)	25
Amortisation of foreign currency monetary item translation difference account	161	86
Operating cash flow before working capital changes	**16,782**	**15,064**
Changes in trade receivables	4,396	9,543
Changes in loans and advances and other assets	(2,242)	(38)
Changes in inventories	(2,546)	(1,110)
Changes in trade payables and other current liabilities	4,787	1,224
Changes in short term and long term provisions	(1,134)	161
Adjustment for foreign exchange in operating activity	(560)	(188)
Cash generated from operating activities	**19,483**	**24,656**
Income taxes paid	(2,076)	(764)
Net cash generated from operating activities (A)	**17,407**	**23,892**
Cash flows from investing activities		
Purchase of fixed assets	(3,802)	(6,250)
Proceeds from sale of fixed assets	2,731	307
Movement in deposits with banks	(498)	-
Interest received	136	21
Net cash used in investing activities (B)	**(1,433)**	**(5,922)**
Cash flows from financing activities		
Proceeds from Issue of share warrants	750	1,250
Proceeds from borrowings	22,916	2,003
Repayment of borrowings	(23,652)	(8,367)
Proceeds from shareholders towards capital / borrowings	125	470
Repayment to shareholders	(595)	-
Deferred sales tax payment	(107)	(77)
Repayments of cash credits/ working capital loans (net)	(6,830)	(551)
Repayments of buyer's credit (net)	(56)	(452)
Repayment of public deposits (net)	(140)	(28)
Interest paid	(10,077)	(8,529)
Dividend paid including tax thereon	(3)	(128)
Net cash used in financing activities (C)	**(17,670)**	**(14,409)**
Net (decrease)/ increase in cash and cash equivalents (A + B +C)	**(1,696)**	**3,561**
Cash and cash equivalents at the beginning of the year	5,408	1,921
Effect of exchange rate changes on cash and cash equivalent	51	(74)
Cash and cash equivalents at the end of the year (refer note 19)	3,763	5,408

The notes referred to above form an integral part of the financial statements.

As per our report of even date attached

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

Vineet Dhawan
Partner
Membership number: 092084

Place: Bangalore
Date: 28 May 2014

K

for and on behalf of the Board of Directors of
Dynamatic Technologies Limited

Udayant Malhoutra
CEO and
Managing Director

Vijai Kapur
Chairman

Hanuman Sharma
Chief Financial Officer

Naveen Chandra P
DGM- Compliance, Legal
& Company Secretary

Place: Bangalore
Date: 28 May 2014

Dynamatic Technologies Limited
Notes to the consolidated financial statements

1 Company overview

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 components, aerospace components and wind farm power generation. The Company is listed in India with National Stock Exchange and Bombay Stock Exchange.

2 Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements.

a. Basis of accounting and preparation of consolidated financial statements

The consolidated financial statements of Dynamatic Technologies Limited and subsidiaries and an associate (collectively referred to as 'the Group') 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 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 and guidelines issued by Securities and Exchange Board of India to the extent applicable. The accounting policies have been consistently applied by the Company. The consolidated financial statements are presented in Indian rupees rounded off to the nearest lacs.

b. Principles of consolidation

The consolidated financial statements include the results of the following subsidiaries:

Sl. no.	Subsidiaries	Subsidiary/ Step Subsidiary/ Associate	Country of incorporation	Effective group shareholding%
1	JKM Erla Automotive Limited (JEAL)	Subsidiary	India	99.99
2	JKM Research Farm limited (JRFL)	Subsidiary	India	99.99
3	JKM Global Pte Limited (JGPL)	Subsidiary	Singapore	100
4	JKM Ferrotech Limited (JFTL)	Step Subsidiary	India	99.99
5	Dynamatic Limited (DL, UK)	Step Subsidiary	United Kingdom	100
6	Yew Tree Investments Limited (YTIL)	Step Subsidiary	United Kingdom	100
7	JKM Erla Holdings GmbH (JEHG)	Step Subsidiary	Germany	100
8	Eisenwerk Erla GmbH (EEG)	Step Subsidiary	Germany	100
9	Harasfera Design Private Limited (HDPL)	Associate	India	50

Consolidated financial statements have been prepared on the following basis:

B S R & Associates LLP ★ BANGALORE 560 071 ★ CHARTERED ACCOUNTANTS

DYNAMATIC TECHNOLOGIES LTD. ★ BANGALORE-58. ★

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 Group and its share in the post-acquisition increase/ decrease in the reserves of the consolidated entities.

The excess/ deficit of cost to the Group 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 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 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. 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

Tangible fixed assets are stated at the cost (or revalued amounts, as the case may be) of acquisition or construction, less accumulated depreciation. All costs incurred in bringing the assets to its working condition for intended use have been capitalised.

The cost of an item of tangible fixed asset comprises its purchase price, including import duties and other non-refundable taxes or levies and any directly attributable cost of bringing the asset to its working condition for its intended use; any trade discounts and rebates are deducted in arriving at the purchase price.

The Company had revalued certain land, building, plant and machineries and electrical installations based on valuations done by an external expert in the year 1991-92 and in 2010-11 respectively. Other than land, additional depreciation due to revaluation is adjusted out of revaluation reserve. An increase in net book value arising on revaluation of fixed assets is credited directly to owner's interests under the heading of revaluation reserves and is regarded as not available for distribution. On disposal of a previously revalued item of fixed asset, the difference between net disposal proceeds and the net book value is charged or credited to statement of profit and loss except that, to the extent such a loss is related to an increase which was previously recorded as a credit to revaluation reserve and which has not been subsequently reversed or utilised, it is charged directly to that account. The amount standing in revaluation reserve following the retirement or disposal of an asset which relates to that asset is transferred to statement of profit and loss.

Borrowing costs directly attributable to the acquisition/ construction of the qualifying asset are capitalized as part of the cost of that asset. Other borrowing costs are recognized as an expense in the statement of profit and loss in the period in which they are incurred.

Exchange differences arising in respect of translation/settlement of long term foreign currency borrowings attributable to the acquisition of a depreciable asset are also included in the cost of the asset.

B S R & Associates LLP ★ BANGALORE 560 071 ★ CHARTERED ACCOUNTANTS

DYNAMATIC TECHNOLOGIES LTD. ★ BANGALORE-58 ★

Tangible fixed assets under construction are disclosed as 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:

Class of assets	Rate per annum
Data processing equipment	25%
Furniture and fixtures	10%
Office equipment	
-Mobile phones	50%
-Others	20%
Plant and machinery	4.75% - 10.34%

Freehold land is not depreciated. Assets individually costing Rs. 5,000 or less are fully depreciated in the year of purchase.

Depreciation is provided on a pro-rata basis for all assets purchased or sold during the year.

e. **Intangibles fixed assets**

(i) Acquired intangible assets

Intangible assets that are acquired by the Group are measured initially at cost. After initial recognition, an intangible asset is carried at its cost less any accumulated amortization and any accumulated impairment loss.

Subsequent expenditure is capitalized only when it increases the future economic benefits from the specific asset to which it relates.

B S R & Associates LLP ★ BANGALORE 560 071 ★ CHARTERED ACCOUNTANTS

DYNAMATIC TECHNOLOGIES LTD. ★ BANGALORE-58 ★

(ii) Internally generated intangible assets

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in statement of profit and loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products or processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use the asset. The expenditure capitalized includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and directly attributable borrowing costs (in the same manner as in the case of tangible fixed assets). Other development expenditure is recognized in the statement of profit and loss as incurred.

Intangible assets are amortized in the statement of profit and loss over their estimated useful lives, from the date that they are available for use based on the expected pattern of consumption of economic benefits of the asset. Accordingly, at present, these are being amortized on straight line basis. In accordance with the applicable Accounting Standard, the Group follows a rebuttable presumption that the useful life of an intangible asset will not exceed ten years from the date when the asset is available for use. However, if there is persuasive evidence that the useful life of an intangible asset is longer than ten years, it is amortized over the best estimate of its useful life. Such intangible assets and intangible assets that are not yet available for use are tested annually for impairment.

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	10 years
Non-compete fees	10 years

f. Inventories

(i) Inventories are carried at the lower of cost and net realisable value.

(ii) Cost of inventories comprises purchase price and all incidental expenses incurred in bringing the inventory to its present location and condition. The method of determination of cost is as follows:

- Raw materials and components – on a first in first out method
- Stores and spares – on a first in first out method
- Work-in-progress – includes costs of conversion
- Finished goods – includes costs of conversion
- Goods in transit – at purchase cost

B S R & Associates LLP BANGALORE 560 071 CHARTERED ACCOUNTANTS

DYNAMATIC TECHNOLOGIES LTD. BANGALORE-58.

(iii) Fixed production overheads are allocated on the basis of normal capacity of production facilities.

(iv) Inventories are valued at lower of cost or net realizable value. The comparison of cost and net realisable value is made on an item-by-item basis.

(v) The net realisable value of work-in-progress is determined with reference to the net realisable value of related finished goods. Raw materials and other supplies held for use in production of inventories are not written down below cost except in cases where material prices have declined, and it is estimated that the cost of the finished products will exceed their net realisable value.

(vi) The provision for inventory obsolescence is assessed on a quarterly basis and is provided as considered necessary.

g. Employee benefits

Short-term employee benefits

Employee benefits payable wholly within twelve months of receiving employee services are classified as short-term employee benefits. These benefits include salaries and wages, bonus and ex-gratia. The undiscounted amount of short-term employee benefits to be paid in exchange for employee services is recognized as an expense as the related service is rendered by employees.

Post employment benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays specified contributions to a separate entity and has no obligation to pay any further amounts. The Group makes specified monthly contributions towards employee provident fund to Government administered provident fund scheme and social security schemes in certain overseas subsidiaries which is a defined contribution plan. The Group's contribution is recognized as an expense in the statement of profit and loss during the period in which the employee renders the related service.

Defined benefit scheme

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 Group's gratuity scheme is administered by Life Insurance Corporation of India. Actuarial gain/ (losses) are charged to the statement of profit and loss.

Compensated absences

The employees of the Group are entitled to compensated absences which are both accumulating and non-accumulating in nature. The expected cost of accumulating compensated absences is determined by actuarial valuation based on the additional amount expected to be paid as a result of the unused entitlement that has accumulated at the Balance Sheet date. Expense on non-cumulating compensated absences is recognized in the period in which the absences occur.

B S R & Associates LLP BANGALORE 560 071 CHARTERED ACCOUNTANTS

DYNAMATIC TECHNOLOGIES LTD. BANGALORE-58.

Dynamatic Technologies Limited
Notes to the consolidated financial statements

h. Revenue recognition

Revenue from sale of products (including sale of scrap) is recognized when the risks and rewards of ownership are transferred to 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 long-term contracts (contract revenue) is recognized on the percentage of completion method. Percentage of completion method is applied by calculating the proportion that the actual costs bear to the estimated total costs of the contract. The estimates of the contract revenue and costs are reviewed periodically by the Management and any effect of change in estimate is recognized in the period such changes are determined. Liquidated damages/ penalties are provided for wherever there is a delayed delivery attributable to the Group. Provision for foreseeable losses is made in the year in which such losses are foreseen.

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.

Export benefits are recognized in the statement of profit and loss account when the right to receive credit as per the terms of the entitlement is established in respect of exports made.

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 Group is Indian Rupee. The local currencies of the non-integral subsidiaries are different from the reporting currency of the Group.

The Group is exposed to currency fluctuations on foreign currency transactions. Transactions in foreign currency are recognized at the rate of exchange prevailing on the date of the transaction. Exchange difference arising on foreign exchange transactions settled during the year is recognized in the statement of profit and loss for the year.

All monetary assets and liabilities denominated in foreign currency are restated at the rates existing at the year end and the exchange gains / losses arising from the restatement is recognized in the statement of profit and loss, except exchange differences on long term foreign currency monetary items that are related to acquisition of depreciable assets are adjusted in the carrying amount of the related fixed assets and exchange differences arising on other long-term foreign currency monetary items are accumulated in 'Foreign Currency Monetary Item Translation Difference Account' (FCMITDA), and are amortized over the balance period of the relevant foreign currency item.

B S R & Associates LLP BANGALORE 560 071 CHARTERED ACCOUNTANTS

DYNAMATIC TECHNOLOGIES LTD. BANGALORE-58

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 nonmonetary are translated using the year-end rates

• Share capital and opening reserves and surplus are carried at historical cost

• Revenue and expenses are translated at 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. Derivative instruments and Hedge accounting

The Group is exposed to foreign currency fluctuations on foreign currency assets, liabilities, firm commitments and highly probable forecasted transactions denominated in foreign currency. The Group limits the effects of foreign exchange rate fluctuations by following its risk management policies. In accordance with its risk management policies and procedures, the Group uses derivative instruments such as foreign currency forward contracts, options and currency swaps to hedge its risks associated with foreign currency fluctuations. The Group enters into derivative financial instruments, where the counterparty is a bank.

Premium or discount on foreign exchange forward contracts taken to hedge foreign currency risk of an existing asset / liability is recognised in the statement of profit and loss over the period of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss of the reporting period in which the exchange rates change.

The Group has applied the principles of AS 30 'Financial Instruments: Recognition and Measurement', to the extent that the application of the principles does 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 "hedge reserve" to the extent considered 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 statement of profit and loss.

It is the policy of the Group to enter into derivative contracts to hedge the risk of foreign exchange rate fluctuation and interest rate risks related to the loan liabilities. The derivative arrangements are coterminous with the loan agreement and it is the intention of the Group not to foreclose such arrangements during the tenure of the loan. Accordingly the Group designates and applies cash flow hedge accounting on such types of arrangements.

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 "hedge reserve" is retained until the forecasted transaction

B S R & Associates LLP
BANGALORE
560 071
CHARTERED ACCOUNTANTS

DYNAMATIC TECHNOLOGIES LTD.
BANGALORE-58.

occurs subsequent to which the same is adjusted against the related transaction in statement of profit and loss. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in shareholder's fund is transferred to statement of profit and loss in the same period.

The fair value of derivative instruments is determined based on observable market inputs and estimates including currency spot and forward rates, yield curves and currency volatility.

k. Warranties

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

l. 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. However, that part of long term investments which is expected to be realized within 12 months after the reporting date is also presented under 'current assets' as "current portion of long term investments" in consonance with the current–non-current classification scheme of revised Schedule VI.

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.

m. Provisions and contingencies

The Group 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.

B S R & Associates LLP
BANGALORE
560 071
CHARTERED ACCOUNTANTS

DYNAMATIC TECHNOLOGIES LTD.
BANGALORE-58.

n. Impairment of assets

The Group 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 Group 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 statement of profit and loss. 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.

o. Goodwill

Any excess of the cost to the parent of its investment in a subsidiary over the parent's portion of equity of the subsidiary, at the date on which investment in the subsidiary is made, is recorded as goodwill arising on consolidation.

Goodwill arising on consolidation/acquisition of assets is not amortised. It is tested for impairment on a periodic basis and written off, if found impaired.

p. 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 Group did not have any potentially dilutive equity shares during the year.

q. Leases

Assets acquired under leases other than finance leases are classified as operating leases. The total lease rentals (including scheduled rental increases) in respect of an asset taken on operating lease are charged to the statement of profit and loss on a straight line basis over the lease term unless another systematic basis is more representative of the time pattern of the benefit.

B S R & Associates LLP
BANGALORE
560 071
CHARTERED ACCOUNTANTS

DYNAMATIC TECHNOLOGIES LTD.
BANGALORE-58.

r. 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.

Minimum Alternate Tax ('MAT') paid in accordance with the laws, which gives rise to future economic benefits in the form of tax credit against future income tax liability, is recognized as an asset in the balance sheet if there is convincing evidence that the Company will pay normal tax in near future.

The Group 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.

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 operating, investing and financing activities of the Group are segregated.

B S R & Associates LLP ★ BANGALORE 560 071 ★ CHARTERED ACCOUNTANTS

DYNAMATIC TECHNOLOGIES LTD. ★ BANGALORE-58 ★

DYNAMATIC TECHNOLOGIES LIMITED
Notes to the consolidated financial statements

	As at 31 March 2014	(Rs. in lacs) As at 31 March 2013
3. Share capital		
Authorised		
Equity shares		
20,000,000 (previous year 20,000,000) equity shares of Rs.10 each	2,000	2,000
Preference shares		
500,000 (previous year 500,000) redeemable cumulative preference shares of Rs. 100 each	500	500
	2,500	2,500
Issued, subscribed and fully paid up		
Equity shares		
5,540,050 (previous year: 5,414,703) equity shares of Rs.10 each (refer note 44)	554	541
	554	541

Reconciliation of shares outstanding at the beginning and at the end of the year:

Particulars	31 March 2014 Number of shares	31 March 2014 Amount (Rs in lacs)	31 March 2013 Number of shares	31 March 2013 Amount (Rs in lacs)
Shares outstanding at the beginning of the year	5,414,703	541	5,414,703	541
Share issued during the year*	125,347	13	-	-
Shares outstanding at the end of the year	5,540,050	554	5,414,703	541

*refer note 44

Rights, preferences and restrictions attached to equity shares:

The Company has a single class of equity shares. Accordingly, all equity shares rank equally with regard to dividends and share in the Company's residual assets. The equity shares are entitled to receive dividend as declared from time to time after subject to of dividend to preference shareholders. The voting rights of an equity shareholder on a poll (not on show of hands) are in proportion to its share of the paid-up equity Capital of the Company.

Details of equity shares allotted as fully paid-up without payment being received in cash during the period of five years immediately preceding the balance sheet date is give below:

Particulars	31 March 2013	31 March 2012	31 March 2011	31 March 2010	31 March 2009
Class of shares (Equity)					
No of shares issued	-	-	-	-	-

Details of equity shares allotted as fully paid-up bonus shares during the period of five years immediately preceding the balance sheet date is give below:

Particulars	31 March 2013	31 March 2012	31 March 2011	31 March 2010	31 March 2009
Class of shares (Equity)					
No of shares issued	-	-	-	-	-

The Company has not bought back any shares during the period of five years immediately preceding the balance sheet date.

Particulars of shareholders holding more than 5% shares of a class of shares

Particulars	31 March 2014 Number	31 March 2014 % of total share in the class	31 March 2013 Number	31 March 2013 % of total share in the class
Equity shares of Rs.10 each fully paid-up held by				
-Udayant Malhoutra	795,248	14.35%	898,048	16.59%
-JKM Holdings Private Limited	912,538	16.47%	912,538	16.85%
-Udayant Malhoutra and Company Private Limited	642,011	11.59%	642,011	11.86%
-JKM Offshore India Private Limited	442,071	7.98%	442,071	8.16%
-Samena Special Situations Mauritius	467,455	8.44%	467,455	8.63%
-FID Funds (Mauritius) Limited	-	-	391,908	7.24%
-Wavell Investments Private Limited	281,828	5.09%	-	-
-Citigroup Global Markets Mauritius Private Limited	373,327	6.74%	373,327	6.89%

B S R & Associates LLP BANGALORE 560 071 CHARTERED ACCOUNTANTS

DYNAMATIC TECHNOLOGIES LTD. BANGALORE-58

(Rs. in lacs)

	As at 31 March 2014	As at 31 March 2013
4. Reserves and surplus		
Capital reserves		
At the commencement and at the end of the year	15	15
	15	**15**
Capital redemption reserve		
At the commencement and at the end of the year	240	240
	240	**240**
Securities premium account		
At the commencement of the year	7,111	7,111
Additions during the year (refer note 44)	988	-
Add: transfer from Minority interest (refer note 4 (a))	3,031	-
Less: accrual of redemption premium on preference shares (refer note 4 (a))	(1,955)	-
At the end of the year	**9,175**	**7,111**
Hedge reserve		
At the commencement of the year	(2,299)	(2,707)
(Addition)/ deletion during the year	(443)	408
At the end of the year (refer note 37)	**(2,742)**	**(2,299)**
Other reserves (Redemption premium accrual)		
At the commencement of the year	-	-
Add: accrual of redemption premium on preference shares (refer note 4 (a))	1,955	-
	1,955	**-**
Reserve on amalgamation		
At the commencement and at the end of the year	154	154
	154	**154**
Revaluation reserve		
At the commencement of the year	2,013	2,018
Less: revaluation reserve transferred to profit on sale of assets (refer note 45)	(1,387)	-
Less: additional depreciation charged on revalued assets	-	(5)
At the end of the year	**626**	**2,013**
General reserve		
At the commencement and at the end of the year	3,010	3,010
	3,010	**3,010**
Subsidy received		
At the commencement and at the end of the year	25	25
	25	**25**
Debit balance arising on consolidation		
At the commencement of the year	(1,386)	(593)
Depreciation on fair valuation of fixed assets	(793)	(793)
At the end of the year	**(2,179)**	**(1,386)**
Surplus in the statement of profit and loss		
At the commencement of the year	4,312	5,503
Profit/ (loss) for the year	1,377	(1,191)
At the end of the year	**5,689**	**4,312**
Forign currency translation reserve		
At the commencement of the year	(1,315)	(1,072)
Additions during the year	(492)	(243)
At the end of the year	**(1,807)**	**(1,315)**
Foreign currency monetary item translation difference account		
At the beginning of the year	(307)	(249)
Exchange loss arising on account of reinstatement of loan (refer note 47)	(254)	(144)
Amount amortised during the year to statement of profit and loss (refer note 47)	161	86
At the end of the year	**(400)**	**(307)**
	13,761	**11,573**

B S R & Associates LLP
BANGALORE
560 071
CHARTERED ACCOUNTANTS

DYNAMATIC TECHNOLOGIES LIMITED
Notes to the consolidated financial statements

	As at 31 March 2014	(Rs. in lacs) As at 31 March 2013
4 (a) Minority Interest		
Preference shares issued by JEAL		
2,636,000 (previous year: nil) 0.01% redeemable non-cumulative preference shares of Rs 10 each #	264	3,295
	264	3,295

i) Reconciliation of shares outstanding at the beginning and at the end of the year:

Particulars	31 March 2014 Number	Amount	31 March 2013 Number	Amount
(a) 0.01% Non-cumulative redeemable preference shares of Rs 10 each				
At the commencement of the year	2,636,000	3,295	2,636,000	3,295
Shares issued during the year	-	-	-	-
Less: transfer to securities premium account #	-	(3,031)	-	-
At the end of the year	**2,636,000**	**264**	2,636,000	3,295

ii) Particulars of shareholders holding more than 5% shares of a class of shares

Particulars	31 March 2014 Number	% of total shares	31 March 2013 Number	% of total shares
0.01% Non-cumulative redeemable preference shares of Rs 10 eacb held by				
SHL Trading Limited	2,636,000	100%	2,636,000	100%

Rights, preferences and restrictions attached to preference shares

0.01% redeemable, non-cumulative redeemable preference shares [NCRPS] of Rs 10 each were placed with SHL Trading Limited on June 8, 2011 at a premium of Rs 115 per share. These shares may be redeemed, in whole or in part, at the option of JEAL or the holder at any time on or after 18 months from the date of allotment at a a price that ensures to the subscriber an internal rate of return of 18% per annum. The holders of these shares are entitled to a non-cumulative dividend of 0.01% on face value of the NCRPS.

In the current year, the Group has transferred an amount of Rs 3,031 lacs (represents the premium received at the time of issue of NCPRS) to securities premium account. Resultantly, the Minority interest is represented by the face value of the peference shares issued. Further, based on the terms and conditions of NCPRS, the Group has accounted for the redemption premium till 31 March 2014 aggregating Rs 195,500,000 (Rs 115,350,000 pertaining to earlier periods) by debiting securities premium account and crediting other reserves.

B S R & Associates LLP * Chartered Accountants * Bangalore 560 071

Dynamatic Technologies Ltd. * Bangalore-56 *

DYNAMATIC TECHNOLOGIES LIMITED
Notes to the consolidated financial statements

	As at 31 March 2014	(Rs. in lacs) As at 31 March 2013
5. Long-term borrowings		
Secured		
Term loans		
- From bank @	30,552	32,096
- Financial institutions @@	5,080	1,288
- from others *	388	654
Deferred payment liability		
- Sales tax deferral loan **	46	181
Deposits from shareholders * **	-	2
Deposits from others #	119	195
	36,185	**34,416**

@
(Including current maturities of the long term borrowings shown under other current liabilities)

Details of repayment terms, interest and maturity	Nature of security
Term loan from bank aggregating Rs 3,985 lacs (previous year Rs 5,712 lacs) repayable in 14 quarterly instalments. The rate of interest ranges from 16% - 17% per annum.	First pari passu charge on the entire movable and immovable fixed assets, present and future (other than those exclusively charged). Second pari passu charge on the entire current assets of the Company, present and future.
Term loan from bank aggregating Rs 4,193 lacs (previous year Rs 5,500 lacs) repayable in 46 monthly instalments. The rate of interest ranges from 15%-16% per annum.	
Term loan from bank aggregating Rs 1,200 lacs (previous year Rs 1,500 lacs) repayable in 16 quarterly instalments. The rate of interest ranges from 12%-13% per annum.	
Term loan from bank aggregating Rs 1,848 lacs (previous year Rs. 2,048 lacs) repayable in 10 quarterly instalments. The rate of interest is 14% per annum.	
Term loan from bank aggregating Rs. Nil lacs (previous year Rs. 852 lacs)	
Term loan from bank aggregating Rs 1,637 lacs (previous year Rs 2,508 lacs) repayable in 3 half yearly instalments. The rate of interest is LIBOR plus 2 % per annum.	
Term loan from bank aggregating to Rs 1,200 lacs (previous year Rs. Nil lacs) repayable in 8 half yearly instalments with initial moratorium of six months with the rate of interest of 15% per annum.	
Term loan from bank aggregating Rs 238 lacs (previous year Rs.327) repayable in 32 Monthly instalments. The rate of interest ranes from 11%-12 % per annum.	
Term loan from bank amounting to Rs 3,702 lacs (previous year Rs Nil) repayable in 8 half yearly instalments. The rate of interest is LIBOR plus 2.5% per annum.	Corporate guranatee by the Company and JEAL.
Term loan from bank aggregating Rs Nil (previous year Rs 6,956 lacs) repayable at the end of 2 years from the final drawdown with rate interest of Libor + 2.50% per annum.	Corporate guranatee by the Company and JEAL.
Term loan from bank aggregating Rs 391 lacs (previous year Rs Nil) repayable in 13 monthly instalments. The rate of interest is 3.5% above libor.	Secured by charge on freehold land.
Term loan from banks aggregating Rs Nil (previous year Rs. 1,646 lacs) was repaid during the year.	Secured by charge on moveable assets of DL, UK and corporate guarantees by the Company, JGPL and YTIL.

B S R & Associates LLP
BANGALORE 560 071
CHARTERED ACCOUNTANTS

DYNAMATIC TECHNOLOGIES LTD. BANGALORE-58

DYNAMATIC TECHNOLOGIES LIMITED

Notes to the consolidated financial statements

Term loan from banks aggregating Rs 2,674 lacs (previous year Rs 2,420 lacs) repayable in 6 half yearly instalments. The rate of interest is Libor + 3.00% per annum.	The term loan is secured by first pari passu charge on the fixed assets of JEAL and corporate guarantee by the Company.
Term loan from banks aggregating to Rs 963 lacs (previous year Rs 1,623 lacs) repayable in 1 yearly instalments. The rate of interest is Libor plus 3.50% per annum.	The term loan is secured by corporate guarantee by the Company.
Term loan from banks aggregating Rs 3,014 lacs (previous year Rs. Rs 2,538 lacs) repayable in 6 half yearly instalments. The rate of interest is LIBOR + 3.50%.	
Term loan from banks aggregating Rs 10,726 lacs (previous year Rs Nil) repayable in 8 half yearly instalments, after moratorium period of 6 months. The rate of interest is 5.75%.	The term loan is secured by movable and immovable fixed assets of EEG, Corporate Guarantee by the Company, and Pledge of shares held by JEAL in JEHG.
Term loan from banks aggregating Rs Nil (previous year Rs 373 lacs) was repaid during the year.	The term loan is secured by charge on moveable assets other than those exclusively charged.
Term loan from banks aggregating Rs Nil (previous year Rs 239 lacs) was repaid during the year.	
Term loan from banks aggregating Rs Nil (previous year Rs 732 lacs) was repaid during the year.	Secured by way of exclusive charge on assets financed by them.
Term loan aggregating Rs 2,613 lacs (previous year Rs 3,207 lacs) is repayable in 24 quarterly instalments. The rate of interest ranges from 13.25% - 14.95% per annum.	Secured, ranking pari passu , by way of first charge on present and future fixed assets and second charge on current assets
Term loan aggregating Rs. 716 lacs (previous year Rs Nil) is repayable in 24 quarterly instalments. The rate of interest ranges from 14.95% per annum.	
Term loan aggregating Rs 1,500 lacs (previous year Rs 1,500 lacs) is repayable in 42 monthly instalments. The rate of interest is base rate + 4% per annum.	
Term loan aggregating Rs 1,050 lacs (previous year Rs 1,375 lacs) is repayable in 42 monthly instalments. The rate of interest is base rate + 4% per annum.	

@@

(Including current maturities of the long term borrowings shown under other current liabilities)

Details of repayment terms, interest and maturity	**Nature of security**
Term loan from financial institutions aggregating to Rs 4800 lacs (previous year: Rs Nil lacs) repayable in 8 half yearly instalments. The rate of interest is 17.5% p.a	First pari passu charge on the entire movable and immovable fixed assets of the Company, present and future (other than those exclusively charged). Second pari passu charge on the entire current assets of the Company, present and future.
Term loan from financial institutions aggregating to Rs 396 lacs (previous year: Rs 515 lacs) repayable in 31 monthly instalments. The rate of interest ranges from 14%-15% p.a	Exclusive charge on assets financed.
Term loan from financial institutions aggregating to Rs 804 lacs (previous year: Rs 1,096 lacs) repayable in 11 quarterly instalments. The rate of interest ranges from 13% to 14% p.a	
Term loan from financial institutions aggregating to Rs 130 lacs (previous year: Rs 106 lacs) payable in 47 to 50 monthly instalments from the date of purchase. The rate of interest is 15% per annum	

* Secured by hypothecation of vehicle. The amount is payable in 36 monthly installments from the date of purchase. The rate of interest for the outstanding vehicle loan ranges from 9.75% p.a to 11.50% p.a.

** To promote the industries in backward area (i.e. @ Irrungattukkottai) Government of Tamil Nadu, announced a sales tax loan facility. To avail the facility, the Company has entered into an agreement with the Sales tax department. for deferring payment of sales tax collected during financial year 2001-02 to 2005-06. The deferred amount will be repaid by 2014-15. The amount repayable in 2014-15 is Rs. 116 lacs and accordingly disclosed as current liability.

*** Deposits from shareholders carry interest rate in the range 10-11 % and are repayable within 1- 3 years from respective date of deposit.

Deposits from others carry interest rate in the range 10-11 % and are repayable within 1- 3 years from respective date of deposit.

B S R & Associates LLP BANGALORE 560 071 CHARTERED ACCOUNTANTS

DYNAMATIC TECHNOLOGIES LTD. BANGALORE

DYNAMATIC TECHNOLOGIES LIMITED
Notes to the consolidated financial statements

(Rs. in lacs)

	As at 31 March 2014	As at 31 March 2013
6. Deferred tax liabilities (net)		
Deferred tax liabilities		
Fixed assets	4,184	4,679
Others	175	4
	4,359	**4,683**
Deferred tax assets		
Provision for employee benefits	134	69
Provision for bad and doubtful debts	208	252
Provision for warranty	76	35
Provision for bonus and incentives	-	4
Unabsorbed depreciation and business loss	530	1,192
	948	**1,552**
Deferred tax liabilities (net)	**3,411**	**3,131**

The net deferred tax assets and deferred tax liabilities of Rs 3,411 (previous year: Rs 3,131) lacs has the following breakdown:

Deferred tax assets*	-	-
Deferred tax liabilities	3,411	3,131
Deferred tax liabilities (net)	**3,411**	**3,131**

* refer note 46

7. Other long-term liabilities		
Advance from customer	-	209
Derivative liability (refer note 37)	1,288	1,608
Others	97	99
	1,385	**1,916**
8. Long-term provisions		
Provision for employee benefits		
Gratuity (refer note 33)	96	23
Compensated absences	192	159
	288	**182**
9. Short-term borrowings		
Secured		
Loans repayable on demand		
Cash credit *	7,511	13,760
Unsecured		
From banks		
- Foreign currency buyer's credit **	268	324
- Vendor bill discounting #	2,298	2,879
Borrowings from shareholder ## (refer note 35)	-	470
	10,077	**17,433**

* Cash credit from banks carry interest ranging between 10.50% - 16.75% p.a., computed on a monthly basis on the actual amount utilized, and are repayable on demand. These are secured by pari passu charge by way of hypothecation of stock and book debts of the Company.

** The Company has taken foreign currency buyer's credit, which carry interest ranging between 2.55% - 4.25% p.a and are renewable at 6 monthly rest for a maximum of three years.

The Company has availed vendor bill discounting facility from banks which carry interest between 12% - 14.50% p.a., and is payable within 90 days from date of bill discounted.

The Company has taken inter corporate loan from JKM Holdings Private Limited, which carry interest @ 14.75% p.a. and is repaid during the current year.

B S R & Associates LLP BANGALORE 560 071 CHARTERED ACCOUNTANTS

DYNAMATIC TECHNOLOGIES LIMITED
Notes to the consolidated financial statements

(Rs. in lacs)

	As at 31 March 2014	As at 31 March 2013
10. Trade payables		
Due to micro and small enterprises (refer note 40)	-	-
Dues to creditors other than micro and small enterprises	24,680	21,118
Acceptances	2,945	3,323
	27,625	**24,441**

11. Other current liabilities

Current maturities of long-term borrowings (refer note 5)	12,890	15,005
Capital creditors	680	544
Acceptances for capital goods	-	97
Accrued expenses	1,395	763
Book overdraft	131	-
Interest accrued but not due on borrowings	726	831
Employee related liabilities	1,556	1,399
Derivative liability (refer note 37)	1,311	548
Advance from customer	229	428
Dealer deposits	56	55
Unpaid dividend	25	28
Statutory liabilities	448	530
Others	82	53
	19,529	**20,281**

* Includes current maturities of secured term loans from banks Rs 11,097 lacs (previous year : Rs 8,960 lacs), current maturities of secured term loans from financial institutions Rs 1,051 lacs(previous year Rs 429 lacs), current maturities of secured term loans from others Rs 498 lacs (previous year Rs 467 lacs), current maturities of unsecured deferred payment liability Rs 116 lacs (previous year Rs 88 lacs) and current maturities of unsecured deposit from others Rs 128 lacs(previous year: Rs 192 lacs).

12. Short-term provisions

Provision for employee benefits:		
Gratuity (refer note 33)	112	4
Compensated absences	127	106
Others		
Provision for warranties (refer note 34)	616	689
Provision for Income tax	638	1,934
Onerous contracts (refer note 34)	73	73
	1,566	**2,806**

B S R & Associates LLP * CHARTERED ACCOUNTANTS * BANGALORE 560 071

DYNAMATIC TECHNOLOGIES LTD. * BANGALORE-58 *

DYNAMATIC TECHNOLOGIES LIMITED
Notes to the consolidated financial statements

13. Fixed assets

(Rs. in lacs)

	Gross block				Accumulated depreciation				Net block	
	As at 1 April 2013	Additions	Deletions/ adjustments	As at 31 March 2014	As at 1 April 2013	Depreciation for the year	Deletions	As at 31 March 2014	As at 31 March 2014	As at 31 March 2013
Tangible fixed assets (leased)										
Leasehold Land	418	-	-	418	9	5	-	14	404	409
Leasehold Building	-	113	-	113	-	6	-	6	107	-
Tangible fixed assets (owned)										
Freehold Land (refer note 45) #	4,882	7,558	(1,473)	10,967	-	-	-	-	10,967	4,882
Buildings (refer note 45)	16,461	1,310	(1,513)	16,258	2,326	1,316	(254)	3,388	12,870	14,135
Plant and machinery	51,074	5,835	(310)	56,599	19,988	7,742	(260)	27,470	29,129	31,086
Measuring instruments	333	22	-	355	103	14	-	117	238	230
Electrical installations	2,139	1	-	2,140	445	40	-	485	1,655	1,694
Data processing equipment	1,040	28	(10)	1,058	850	47	(9)	888	170	190
Office equipment	1,895	735	(159)	2,471	530	598	(152)	976	1,495	1,365
Furniture and fixtures	402	92	-	494	292	58	-	350	144	110
Tools, dies and moulds	2,963	424	(44)	3,343	1,189	402	(3)	1,588	1,755	1,774
Vehicles	742	22	(57)	707	269	76	(35)	310	397	473
Motor boat	402	-	-	402	41	20	-	61	341	361
Total tangible fixed assets (A)	82,751	16,140	(3,566)	95,325	26,042	10,324	(713)	35,653	59,672	56,709
Intangible fixed assets, owned										
Application software	763	222	-	985	587	198	-	785	200	176
Prototype development	2,875	-	(20)	2,855	537	288	-	825	2,030	2,338
Non compete fee	836	177	-	1,013	748	260	-	1,008	5	88
Total intangible fixed assets (B)	4,474	399	(20)	4,853	1,872	746	-	2,618	2,235	2,602
Grand Total (A)+(B)	87,225	16,539	(3,586)	100,178	27,914	11,070	(713)	38,271	61,907	59,311
Previous year	78,257	9,996	(1,028)	87,225	22,868	5,737	(691)	27,914	59,311	

Note:

Depreciation for the year is reflected as follows:	Year ended 2014	Year ended 2013
Depreciation as per Profit and loss account	5,126	4,638
Depreciation capitalised for intangible assets	-	31
Fair value depreciation	793	793
Translation adjustment	5,151	275
	11,070	5,737

During the year, the Company based on the possession certificate has capitalized a land admeasuring 27.65 acres. The Company is in the process of completing the registration.

B S R & Associates LLP * BANGALORE 560 071 * CHARTERED ACCOUNTANTS

DYNAMATIC TECHNOLOGIES LTD. * BANGALORE-58 *

DYNAMATIC TECHNOLOGIES LIMITED
Notes to the consolidated financial statements

	As at 31 March 2014	As at 31 March 2013
		(Rs. in lacs)
14. Non-current investments		
(valued at cost unless stated otherwise)		
Other than trade investments		
Investment in equity instruments		
a) Investment in other entities - unquoted		
1) 5,000 (previous year - 5000) equity shares of Rs.10 each of Harasfara Design Private Limited	1	1
2) 921,530 (previous year 921,530) equity shares of Rs.10 each of Murablack (India) Limited	92	92
Provision for diminution in value	(92)	(92)
	1	1
	1	**1**
Aggregate book value of unquoted investments	**1**	**1**
15. Long term loans and advances		
Other loans and advances		
Unsecured, considered good		
Capital advances	206	132
Security deposits	1,504	1,103
Advance tax and tax deducted at source, net of provisions	789	925
	2,499	**2,160**
16. Other non-current assets		
Other bank balances		
Bank deposits with more than 12 months maturity from the reporting date	404	226
Others		
Prepaid expenses	699	131
	1,103	**357**
17. Inventories		
(Valued at lower of cost and net realizable value)		
Raw materials*	6,182	6,097
Work-in-progress	11,519	10,121
Finished goods	3,413	2,400
Stores and spares	1,685	1,635
	22,799	**20,253**

* Includes raw materials in transit current year: Rs.123 lacs (previous year: Rs.96 lacs)

18. Trade receivables		
Unsecured		
Outstanding for a period exceeding six months		
- considered good	1,559	1,979
- considered doubtful	723	744
Other debts		
- considered good	8,604	12,633
	10,886	15,356
Less: provision for doubtful receivables	(723)	(744)
	10,163	**14,612**

B S R & Associates LLP ★ BANGALORE 560 071 ★ CHARTERED ACCOUNTANTS

DYNAMATIC TECHNOLOGIES LTD. ✲ BANGALORE-58 ✲

DYNAMATIC TECHNOLOGIES LIMITED
Notes to the consolidated financial statements

(Rs. in lacs)

	As at 31 March 2014	As at 31 March 2013
19. Cash and bank balances		
Cash and cash equivalents		
Cash on hand	44	15
Balance with banks		
- in current accounts	3,719	5,393
	3,763	**5,408**
Other bank balances		
- unpaid dividend account	25	28
- on margin money deposit accounts	425	255
- on fixed deposit accounts (original maturity of more than 3 months)	197	43
	4,410	**5,734**

20. Short term loan and advances

Others		
Unsecured, considered good		
Advances to supplier	978	450
Cenvat receivable	1,207	1,289
Value added tax receivable	238	112
Loans to employees	41	47
Minimum alternate tax credit entitlement	417	394
Others	35	9
	2,916	**2,301**

21. Other current assets

Unbilled revenue (refer note 39)	1,346	1,378
Interest accrued	-	39
Prepaid expenses	1,141	539
Export incentive receivable	223	138
Others	71	44
	2,781	**2,138**

B S R & Associates LLP * CHARTERED ACCOUNTANTS * BANGALORE 560 071

DYNAMATIC TECHNOLOGIES LTD. * BANGALORE-58. *

(Rs. in lacs)

	For the year ended 31 March 2014	For the year ended 31 March 2013
22. Other operating revenues		
Scrap sales	1,357	1,353
Export incentives	206	143
	1,563	**1,496**
23. Other income		
Interest income	97	60
Provision no longer required, written back	-	275
Profit on sale of fixed assets (net) (refer note 45)	1,246	46
Miscellaneous income	193	164
	1,536	**545**
24. Cost of materials and components consumed		
Raw materials and packing materials consumed*		
Inventory of materials at the beginning of the year	6,097	6,961
Add: purchases during the year	89,910	84,809
Less: inventory of materials at the end of the year	6,182	6,097
	89,825	**85,673**

* the consumption disclosed is based on the derived figures

	For the year ended 31 March 2014	For the year ended 31 March 2013
25. Changes in inventories of finished goods and work-in-progress		
Opening stock		
- Finished goods	2,400	1,615
- Work-in-progress	10,121	9,231
	12,521	**10,846**
Closing stock		
- Finished goods	3,413	2,400
- Work-in-progress	11,519	10,121
	14,932	**12,521**
Impact of excise duty on change in stock of finished goods	(53)	83
Add: Foreign currency translation adjustments	1,757	53
	(707)	**(1,539)**
26. Employee benefits		
Salaries, wages and bonus	18,608	15,858
Contribution to provident fund and other funds	1,361	1,121
Workmen and staff welfare expenses	2,187	1,935
	22,156	**18,914**

B S R & Associates LLP BANGALORE 560 071 CHARTERED ACCOUNTANTS

DYNAMATIC TECHNOLOGIES LTD. BANGALORE-58

(Rs. in lacs)

	For the year ended 31 March 2014	For the year ended 31 March 2013
27. Finance costs		
Interest expense	9,949	8,203
Amortization of loan processing charges	24	24
	9,973	**8,227**
28. Other expense		
Consumption of stores, loose tools and spare parts	4,884	4,089
Subcontractor charges	4,821	4,618
Power and fuel	8,327	7,445
Rent	1,415	1,248
Repairs and maintenance:		
- buildings	261	425
- plant and machinery	2,116	1,517
- others	981	929
Rates and taxes	433	404
Legal and professional	1,373	1,180
Travelling and conveyance	949	1,156
Printing and stationery	122	139
Communication	161	159
Foreign exchange loss (net)	1,074	1,038
Provision for doubtful debts (net)	(21)	444
Bad debts written off	238	40
Insurance	579	510
Cash discount	376	257
Freight outward	1,080	1,328
Sales promotion and advertisement	32	63
Loss on sale of fixed assets (net)	-	25
Warranty and replacement expenses	93	261
Security charges	183	153
Packing expenses	305	168
Directors sitting fees	9	11
Membership and subscriptions	90	79
Bank charges	331	229
Miscellaneous	975	700
	31,187	**28,615**
29. Exceptional items		
Expenses incurred towards loan funds raised*		
Professional charges	150	-
	150	**-**

*Pertains to various expenses incurred by the Company such as professional and other ancillary charges towards loan funds raised from KKR India Financial Services Private Limited, a Non Banking Financial Corporation.

B S R & Associates LLP
BANGALORE 560 071
CHARTERED ACCOUNTANTS

DYNAMATIC TECHNOLOGIES LTD. BANGALORE

30 Capital commitments

(Amount in Rs. lacs)

Particulars	As at 31 March 2014	As at 31 March 2013
Estimated amount of contracts to be executed on capital account (net of advances) and not provided for	888	395

31 Other commitments

JEAL has issued 2,636,000 0.01% redeemable, non-cumulative redeemable preference shares [NCRPS] of INR 10 each, with SHL Trading Limited ("Subscriber") on 8 June 2011 at a premium of INR 115 per share aggregating INR 3,300 lacs. These shares were redeemable, in whole or in part after 18 months by subscriber, after giving a notice in writing to JEAL, at a price that ensures to the subscriber an internal rate of return of 18% per annum. The Company undertakes the liability in case JEAL is unable to redeem the NCRPS or does not pay the Redemption Value when due and payable. There are no other material commitments.

32 Lease transactions

a) The Company is obligated under cancelable operating leases office, residential facilities and vehicles. Lease rental expense under operating leases during the year was Rs 225 lacs (previous year for Rs 246 lacs).

b) The Company is obligated under non-cancelable operating leases for plant and machinery. Lease rental expense under non cancellable operating leases during the year was Rs 1,190 lacs (previous year Rs 1,002).

(Amount in Rs. lacs)

Particulars	As at 31 March 2014	As at 31 March 2013
Payable within one year	1,244	1,054
Payable within one and five years	2,157	2,299
Payable more than five years	-	-

33 Gratuity plan

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

(Amount in Rs. lacs)

Change in defined benefit obligation	As at 31 March 2014	As at 31 March 2013
Opening defined benefit obligation	757	755
Current service cost	76	57
Interest cost	63	58
Benefits settled	(128)	(114)
Actuarial losses	113	1
Closing defined benefit obligation	**881**	**757**

B S R & Associates LLP * BANGALORE 560 071 * CHARTERED ACCOUNTANTS

DYNAMATIC TECHNOLOGIES LTD. * BANGALORE-53 *

(Amount in Rs. lacs)

Change in plan assets	**As at 31 March 2014**	**As at 31 March 2013**
Plan assets at the beginning of the year, at fair value	730	707
Expected return on plan assets (estimated)	54	54
Contributions	19	84
Benefits settled	(128)	(125)
Actuarial (gain)/ losses	(2)	10
Plan assets at the end of the year, at fair value	**673**	**730**

(Amount in Rs. lacs)

Reconciliation of present value of the obligation and the fair value of the plan assets	**As at 31 March 2014**	**As at 31 March 2013**
Fair value of plan assets at the end of the year	673	730
Present value of the defined benefit obligations at the end of the year	881	757
Liability recognized in the balance sheet	**(208)**	**(27)**

(Amount in Rs. lacs)

Gratuity cost for the year	**For the year ended 31 March 2014**	**For the year ended 31 March 2013**
Current service cost	76	57
Interest cost	63	58
Net actuarial (losses)/ gain recognised in year	115	(9)
Return on plan assets	(54)	(54)
Total, included in "Employee benefit expense"	**200**	**52**

Assumptions at the valuation date	**For the year ended 31 March 2014**	**For the year ended 31 March 2013**
Discount factor	9.20%	8.25%
Expected rate of return on plan assets	8.00%	8.00%
Expected rate of salary increase	6.00%	6.00%
Attrition rate	5.00%	5.00%
Retirement age	58	58
Expected Employer's contribution over one year	Rs 60 lacs	Rs 20 lacs

The estimate of future salary increases considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.

Five Year Information

Amounts for the current and previous four periods as on 31 March are as follows:

(Amount in Rs. lacs)

	2014	**2013**	**2012**	**2011**	**2010**
Present value of defined benefit obligation	881	757	755	661	508
Fair value of plan assets	673	730	707	592	494
Funded status [Surplus / (Deficit)]	(208)	(27)	(48)	(69)	(15)
Experience loss / (gain) adjustments on plan liabilities	113	(1)	(10)	(5)	(2)
Experience loss / (gain) adjustments on plan assets	(2)	10	2	2	5

B S R & Associates LLP ★ BANGALORE 560 071 ★ CHARTERED ACCOUNTANTS

DYNAMATIC TECHNOLOGIES LTD. ★ BANGALORE-58 ★

Dynamatic Technologies Limited
Notes to the consolidated financial statements

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

Provision for warranty:

(Amount in Rs. lacs)

Particulars	As at 31 March 2014	As at 31 March 2013
Opening balance	689	457
Provision	93	261
Utilized during the year	(166)	(29)
Closing balance	**616**	**689**

Warranty provision is utilised to make good the amount spent on spares, labour, and all other related expenses on the event of failure of automotive products. All the amounts are expected to be utilised in the ensuing year. Outflows are expected to maintain the same trend as that of past years. No amount is expected as a reimbursement towards this cost.

Provision for onerous contracts:

(Amount in Rs. lacs)

Particulars	As at 31 March 2014	As at 31 March 2013
Opening balance	73	69
Provision	14	4
Utilized during the year	(14)	-
Closing balance	**73**	**73**

35 Related party transactions:

(a) Names of related parties and relationship

Sl. No.	Name of related parties	Relationship
(i)	Harasfera Design Private Limited	Associate
(ii)	JKM Holdings Private Limited	Companies over which key management personnel or relatives of such personnel are able to exercise significant influence (other related entities)
(iii)	JKM Human Resources Private Limited	
(iv)	JKM Offshore (India) Private Limited	
(v)	Udayant Malhoutra and Company Private Limited	
(vi)	Wavell Investments Private Limited	
(vii)	Vita Private Limited	
(viii)	Udayant Malhoutra	Chief Executive Officer and Managing Director
(ix)	V Sunder	Non-executive director (resigned with effect from 3 June 2013)
(x)	N Rajagopal	Executive Director and Chief Technology Officer (resigned with effect from 22 August 2013)
(xi)	Raymond Keith Lawton	Executive Director
(xii)	Claire Tucker	Executive Director (resigned with effect from 31 March 2014)
(xiii)	Pramilla Malhoutra	Relatives of KMP
(xiv)	Udita Malhoutra	
(xv)	Barota Malhoutra	

B S R & Associates LLP
BANGALORE 560 071
CHARTERED ACCOUNTANTS

Dynamatic Technologies Limited
Notes to the consolidated financial statements

(b) Transactions with related parties and year end balances

(Amount in Rs. lacs)

Sl. No.	Name of related party	Description of the transaction	Transactions		Outstanding balance [receivable / (payable)]	
			31 March 2014	31 March 2013	As at 31 March 2014	As at 31 March 2013
(i)	Harasfera Design Private Limited	Legal and professional charges	21	19	-	-
(ii)	JKM Holdings Private Limited	Rent paid	4	4	-	-
		Short term borrowings repaid	-	50	-	-
		Final dividend paid	-	18	-	-
(iii)	JKM Human Resources Private Limited	Expenses- salaries and wages	683	761	-	(51)
(iv)	JKM Offshore (India) Private Limited	Final dividend paid	-	9	-	-
(v)	Udayant Malhoutra and Company Private Limited	Final dividend paid	-	13	-	-
		Interest expenses	8	67	-	-
		Short term borrowings	125	270	-	(270)
		Short term borrowings repaid	395	-	-	-
(vi)	Wavell Investments Private Limited	Short term borrowings	-	200	-	(200)
		Short term borrowings repaid	200	-	-	-
		Proceeds from share warrant	750	-	-	-
		Interest expenses	9	-	-	-
(vii)	Udayant Malhoutra	Final dividend paid	-	18	-	-
		Managerial remuneration	48	54	-	-
(viii)	V Sunder	Managerial remuneration	-	29	-	-
(ix)	N Rajagopal	Managerial remuneration	21	45	-	-
(x)	Raymond Keith Lawton	Managerial remuneration	95	88	-	-
(xi)	Claire Tucker	Managerial remuneration	118	109	-	-
(xii)	Pramilla Malhoutra	Expenses- rent	24	24	-	-
(xiii)	Udita Malhoutra	Expenses- rent	4	4	-	-
(xiv)	Others	Final dividend paid	-	2	-	-

Dynamatic Technologies Limited
Notes to the consolidated financial statements

36 Segment information:

Information ahout Primary Business Segments:
The business segment has been considered as the primary segment. The Group is organized into four main business segments, namely:-

- Hydraulic and Precision Engineering ("HPE") – comprising hydraulic pumps, hand pumps, lift assemblies, valves and power packs
- Automotive Components ("AUC") – comprising case front, water pumps, intake manifolds and exhaust manifold.
- Aerospace ("ASP") – comprising airframe structures, precision aerospace, components and Homeland division which offers cutting edge security products and technologies which will enhance potential customer capability in countering modern day security threats. Others – comprising wind farm and corporate division.
- Research farm ("RF") – "RF" is continuously engaged in finding innovative solutions by testing and validating pumps used in mechanized farming and earth moving sectors to suit real time field conditions.

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

Information relating to business segments for the year ended 31 March 2014

(Amount in Rs lacs)

Particulars	HPE	AUC	ASP	RF	Others	Unallocated	Total
A. Primary segment reporting							
(i) Revenue							
Sales and services	33,286	108,102	22,363	108	-	-	163,859
Less: excise duty	(2,333)	(2,742)	(30)	-	-	-	(5,105)
Total revenue	**30,953**	**105,360**	**22,333**	**108**	**-**	**-**	**158,754**
(ii) Results							
Segment result	3,342	2,073	5,713	39			11,167
Add: Other income						1,536	1,536
(Less): Finance cost	-	-	-	-		(9,973)	(9,973)
(Less): Exceptional items						(150)	(150)
Profit/(loss) before taxation	**3,342**	**2,073**	**5,713**	**39**	**-**	**(8,587)**	**2,580**
(Less): provision for taxation	-					(1,203)	(1,203)
Net profit after tax	**3,342**	**2,073**	**5,713**	**39**	**-**	**(9,790)**	**1,377**
(iii) Other information							
Segment assets	19,147	50,587	26,500	597	2,898	15,916	115,645
Segment liabilities	10,156	26,689	4,862	5	23	22,146	63,881
Depreciation	957	3,126	1,037	6	-	-	5,126

B S R & Associates LLP * BANGALORE 560 071 * CHARTERED ACCOUNTANTS

DYNAMATIC TECHNOLOGIES LTD. * BANGALORE

Dynamatic Technologies Limited
Notes to the consolidated financial statements

Information relating to business segments for the year ended 31 March 2013

(Amount in Rs. lacs)

Particulars	HPE	AUC	ASP	RF	Others	Unallocated	Total
A. Primary segment reporting							
(i) Revenue							
External – sales and services	30,786	102,630	17,270	108	-	-	150,794
Less: excise duty	(2,112)	(3,446)	(23)	-	-	-	(5,581)
Total revenue	**28,674**	**99,184**	**17,247**	**108**	**-**	**-**	**145,213**
(ii) Results							
Segment result	2,053	2,019	4,765	75	-	-	8,912
Add: Other income	-	-	-	-	-	545	545
(Less): Finance cost	-	-	-	-	-	(8,227)	(8,227)
Profit/(loss) before taxation	**2,053**	**2,019**	**4,765**	**75**	**-**	**(7,682)**	**1,230**
(Less): provision for taxation	-	-	-	-		(2,421)	(2,421)
Net profit after tax	**2,053**	**2,019**	**4,765**	**75**	**-**	**(10,103)**	**(1,191)**
(iii) Other information							
Segment assets	17,563	61,087	23,196	657	2,989	15,773	121,265
Segment liabilities	6,710	39,661	3,014	72	14	20,719	70,190
Depreciation	865	2,734	1,031	8	-	-	4,638

37 Hedged derivative instruments

As of 31 March 2014, the Company has recognized a cumulative loss of Rs 2,742 lacs (previous year: Rs 2,299 lacs) relating to derivative instruments (comprising of foreign currency forward contracts) that are designated as effective cash flow hedges in the Shareholders' fund.

The following table presents the aggregate contracted principal amounts of the Company's derivative contracts outstanding as at:

(Amount in Rs. lacs)

Particulars		As at 31 March 2014	As at 31 March 2013
Designated derivative instruments			
Forwards sell	GBP	65	107
Interest rate swaps	EURO	224	172
	USD	45	45

B S R & Associates LLP
BANGALORE 560 071
CHARTERED ACCOUNTANTS

DYNAMATIC TECHNOLOGIES LTD. BANGALORE

38 Un-hedged derivative instruments

As of the balance sheet date, the Company has foreign currency exposures that are not hedged by a derivative instrument or otherwise as detailed below:

Particulars	As at 31 March 2014		As at 31 March 2013	
	Amount in original currency in lacs	Amount in Rs. lacs	Amount in original currency in lacs	Amount in Rs. lacs
Trade receivables				
USD	27	1,636	33	1,842
EURO	7	581	7	480
GBP	3	300	9	731
Advance paid				
CHF	0	1	-	-
USD	0	17	-	-
Trade payables				
USD	6	379	43	2,310
EURO	7	545	9	668
GBP	3	300	-	22
CHF	6	431	-	2
JPY	-	-	66	38
Loan from bank				
USD	45	2,700	45	2,420
Interest accrued on Loan				
USD	1	66	1	60

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

(Amount in Rs. lacs)

Particulars	For the year ended 31 March 2014	For the year ended 31 March 2013
Contract revenue recognized as revenue for the year	2,946	1,759
Aggregate amount of contract cost incurred for contracts in progress at the reporting date	915	813
Recognized profits (less recognized losses) for contracts in progress at the reporting date	431	565
Unbilled revenues (contract revenue recognized in excess of billings) presented under other current assets	1,346	1,378
Advance received from customer	144	591

40 Dues to Micro and Small Enterprises

According to the information available with the Group, there are no dues payable to Micro and Small Enterprises as defined under the "The Micro, Small and Medium Enterprises Development Act, 2006". The Ministry of Micro, Small and Medium Enterprises has issued an Office Memorandum dated 26 August 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneur's Memorandum Number as allocated after filling of the Memorandum. Further there are no dues payable to small scale industries (previous year: Rs Nil).

B S R & Associates LLP
BANGALORE
560 071
CHARTERED ACCOUNTANTS

DYNAMATIC TECHNOLOGIES LTD. BANGALORE-58.

41 Computation of weighted average number of shares

Particulars	**For the year ended 31-Mar-14**	**For the year ended 31-Mar-13**
Weighted average number of equity shares outstanding at the beginning of the year	5,414,703	5,414,703
Add: Weighted average number of equity shares issued during the year;		-
- 125,347 number of shares issued on 26 March 2014	2,060	
Weighted average number of equity shares outstanding during the year	5,416,763	5,414,703

42 The Group 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. Since the law requires existence of such information and documentation to be contemporaneous in nature, the Company is in the process of updating the documentation for the international as well as specified domestic transactions entered into with the associated enterprise during the financial year and expects such records to be in existence latest by the end of the stipulated timeline, as required by law. The Management is of the opinion that its international as well as specified domestic transactions are at arm's length so that the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expenses and that of provision for taxation.

43 During the previous year, JFTL was classified as sick industrial company as per the provision of Section 3(1) (o) of Sick Industrial Companies (Special Provisions) Act, 1985 ('SICA'). Consequently, JFTL has complied with the requirement as enunciated in section 15 of SICA and accordingly filled the necessary documentation to Board for Industrial and Financial Reconstruction ('BIFR'). Moreover, JFTL as a part of remedial measures have issued share capital aggregating Rs. 505,130,640 during the year. Resultantly, JFTL has moved out of Section 3(1) (o) and has become a potential sick company as per the provisions of Section 23A of SICA.

Accordingly, financial statements of JFTL have been prepared on a going concern basis notwithstanding accumulated losses as at the balance sheet date. JFTL's ultimate holding company, Dynamatic Technologies Limited, has the ability and willingness to provide the necessary level of financial support to enable the Company to operate as a going concern and to settle its obligations as they fall due. The appropriateness of the going concern assumption by the Management is based on the continued financial support of the ultimate holding company and the anticipated growth of business. The financial statements of JFTL do not include any adjustments relating to recoverability and classification of assets and liabilities that may be necessary if JFTL is unable to continue as a going concern.

44 Pursuant to a resolution passed in the Extraordinary General Meeting of shareholders dated 25 March 2013, amounts aggregating Rs 67,500,166 and Rs 57,499,994 (being 25% of the total value of warrants at the date of allotment) has been brought in by Mr. Udayant Malhoutra in his capacity as Promoter and by Wavell Investments Private Limited, being a Promoter group company, towards subscription of 338,440 and 288,300 convertible warrants of Rs 797.78 each respectively. These warrants give the right to the warrant holders to subscribe for one equity share of Rs 10 each in the Company per warrant which is exercisable within 18 (eighteen) months from the date of allotment i.e. 26 March 2013

Out of 288,300 convertible warrants issued to Wavell Investments Private Limited, the Board vide its circular resolution dated 26 March 2014 has accorded its approval to allot 125,347 equity shares by conversion of 125,347 convertible warrants at a price of Rs 797.78 each (face value of Rs 10 and premium of Rs 787.78). Accordingly, the Company has received balance 75% of total value of 125,347 warrants aggregating Rs.75,000,000 towards the allotment of 125,347 equity shares on conversion of these 125,347 warrants.

& Associates LLP BANGALORE 560 071 CHARTERED ACCOUNTANTS

DYNAMATIC TECHNOLOGIES LTD. BANGALORE-58

Dynamatic Technologies Limited
Notes to the consolidated financial statements

45 During the year, the Company has transferred its right on a land located at the SIPCOT area in Tamil Nadu along with the building and superstructure constructed on it for aggregate consideration of Rs 2,854 lacs. Accordingly, the Company has credited Rs 1,295 lacs to the statement of profit and loss account including adjustment of revaluation reserve of Rs 1,387 lacs.

46 Tax expense for the year ended 31 March 2014 include write down of deferred tax asset balance of Rs Nil (previous year: Rs 1,035 lacs) in JFTL, in the absence of virtual certainty of the same being realised in the future. Further, JFTL has created deferred tax assets only to the extent of deferred tax liability owing to its brought forward losses.

47 Pursuant to the Companies (Accounting standards) Amendment Rules, 2011, vide GSR 914(E) dated 29 December 2011, JEAL has exercised the option of accumulating the exchange differences, in respect of accounting periods commencing from 1 April, 2011 on long term foreign currency monetary items. As a result, such exchange differences so far as they relate to the acquisition of non-depreciable capital assets have been accumulated in "Foreign currency monetary item translation difference account" ("FCMITD account"), to be amortized over the balance period of such long term liability.

In accordance with the accounting treatment, the Company has debited an amount of Rs 254 lacs (previous year: Rs 144 lacs) on restatement of long term foreign currency monetary items to FCMITD account. Consequent to such transfer, the cumulative balance in FCMITD account aggregating Rs 561 lacs (previous year: 393 lacs) is being amortized over the period of the loan. Accordingly, an amount of Rs 161 lacs (previous year: Rs 86 lacs) has been debited to the statement of profit and loss.

As per our report of even date attached

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

Vineet Dhawan
Partner
Membership number: 092084

Place: Bangalore
Date: 28 May 2014

for and on behalf of the Board of Directors of
Dynamatic Technologies Limited

Udayant Malhoutra
CEO and Managing Director

Vijai Kapur
Chairman

Hanuman Sharma
Chief Financial Officer

Naveen Chandra P
DGM- Compliance, Legal & Company Secretary

Place: Bangalore
Date: 28 May 2014

B S R & Associates

(Registered)
Chartered Accountants

Maruthi Info-Tech Centre
11-12/1 Inner Ring Road
Koramangala
Bangalore 560 071 India

Telephone +91 80 3980 6000
Fax +91 80 3980 6999

Independent Auditor's Report

To the Board of Dynamatic Technologies Limited

We have audited the accompanying consolidated financial statements of Dynamatic Technologies Limited ("the Company"), its subsidiaries and an associate (collectively called 'the Dynamatic Group'), which comprise the consolidated balance sheet as at 31 March 2013, the consolidated statement of profit and loss and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the Auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the Auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedure that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

(i) in the case of the consolidated balance sheet, of the state of affairs of the Company as at 31 March 2013;

(ii) in the case of the consolidated statement of profit and loss, of the profit for the year ended on that date; and

(iii) in the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 42 of the consolidated financial statements of Dynamatics Group, which sets out the basis of accounting selected by the Company in relation to the consolidation and restructuring exercise carried out at JKM Erla Automotive Limited (JEAL), a subsidiary company in the previous year ended 31 March 2012. The Composite scheme of arrangement between JEAL and its shareholder and creditors, which was approved by the Karnataka High Court on 30 July 2012, effective 1 April 2011, sets out the prescribed accounting treatment to effect the restructuring. Section 6 (paragraphs 6.1 to 6.11) of the said scheme specifies the accounting treatment and inter alia specifies that such accounting treatment would be reflected in the consolidated financial statements of the Company, prepared as per the Indian Generally Accepted Accounting Principles.

Had the Company alternatively followed the Accounting Standards, notified under the Companies Act, 1956, the goodwill arising on consolidation of Rs 6,788 lacs would have increased to Rs 14,348 lacs, the tangible fixed assets of Rs 56,709 lacs would have reduced to Rs 50,735 lacs, the debit balance arising on consolidation of Rs 1,386 lacs would have reduced to nil and securities premium of Rs 7,111 lacs would have increased to Rs 7,311 lacs.

Other matter

We did not audit the financial statements and other financial information of certain subsidiaries and an associate which have been incorporated in the consolidated financial statements. These subsidiaries and the associate account for 43.38 % of total assets as at 31 March 2013, and 68.81% of the aggregate of total income from operations (net) and other income for the year ended 31 March 2013 and Rs 3,750 lacs net increase in cash and cash equivalents for the year ended 31 March 2013, 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 42.70% of total assets as at 31 March 2013 and 68.78% of the aggregate of total income from operations (net) and other income for the year ended 31 March 2013 and Rs 3,766 lacs net increase in cash and cash equivalents for the year ended 31 March 2013 as shown in these consolidated financial statements. For purposes of preparation of the 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, insofar as it relates to these entities, is based solely on the report of these other auditors.

B S R & Associates ★ BANGALORE 560 071 ★ CHARTERED ACCOUNTANTS

b. The financial statements and other financial information of the remaining subsidiaries and the associate have not been subjected to audit either by us or by other auditors, and therefore, the unaudited financial statements of these entities have been furnished to us by the Management. These subsidiaries and associate account for 0.68% of total assets as at 31 March 2013 and 0.03% of the aggregate of total income from operations (net) and other income for the year ended 31 March 2013 and Rs 16 lacs net increase in cash and cash equivalents for the year ended 31 March 2013 as shown in these consolidated financial statements, and therefore are not material to the consolidated financial statement, either individually or in aggregate.

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

Sunil Gaggar
Partner
Membership No. 104315

Bangalore
30 May 2013

DYNAMATIC TECHNOLOGIES LIMITED
Consolidated balance sheet as at

	Note	31 March 2013	(Rs. in lacs) 31 March 2012
Equity and liabilities			
Shareholder's funds			
Share capital	3	541	541
Reserves and surplus	4	11,573	13,455
Money received against share warrants	43	1,250	-
		13,364	13,996
Non controlling interest (Preference capital)	4 (a)	3,295	3,295
		3,295	3,295
Non-current liabilities			
Long-term borrowings	5	34,416	46,625
Deferred tax liabilities (net)	6	3,131	2,869
Other long-term liabilities	7	1,916	2,640
Long-term provisions	8	157	194
		39,620	**52,328**
Current liabilities			
Short-term borrowings	9	17,433	18,437
Trade payables	10	24,441	22,873
Other current liabilities	11	20,487	14,614
Short-term provisions	12	2,831	3,079
		65,192	**59,003**
		121,471	**128,622**
Assets			
Non-current assets			
Goodwill		6,788	6,788
		6,788	**6,788**
Fixed assets			
- Tangible fixed assets	13	56,709	53,490
- Intangible fixed assets	13	2,602	1,899
- Capital work in progress		7,422	10,428
- Intangible fixed assets under development		188	447
		66,921	**66,264**
Non-current investments	14	1	1
Deferred tax assets (net)	6	-	1,035
Long-term loans and advances	15	2,160	2,582
Other non-current assets	16	159	1,068
		2,320	**4,686**
Current assets			
Inventories	17	20,253	19,143
Trade receivables	18	14,612	24,629
Cash and bank balances	19	5,932	2,327
Short-term loans and advances	20	2,507	2,965
Other current assets	21	2,138	1,820
		45,442	**50,884**
		121,471	**128,622**
Significant accounting policies	2		

The notes referred to above form an integral part of the financial statements.

As per our report of even date attached
for **B S R & Associates**
Chartered Accountants
Firm registration number: 116231W

Sunil Gaggar
Partner
Membership number: 104315

Place: Bangalore
Date: 30 May 2013

for and on behalf of the Board of Directors of **Dynamatic Technologies Limited**

Udayant Malhoutra
CEO and Managing Director

Vijai Kapur
Chairman

S. Govindarajan
Director

Hanuman Sharma
Chief Financial Officer

M. Sindhu
GM- Compliance, Legal & Company Secretary

DYNAMATIC TECHNOLOGIES LIMITED
Consolidated statement of profit and loss for the year ended

(Rs. in lacs)

	Note	31 March 2013	31 March 2012
Revenue from operations			
Sale of products (gross)		147,539	153,204
Less: excise duty		(5,581)	(4,458)
Sale of products (net)		**141,958**	**148,746**
Contract revenue	38	1,759	969
Other operating revenues	22	1,496	1,138
Total revenue from operations		**145,213**	**150,853**
Other income	23	545	997
Total revenue		**145,758**	**151,850**
Expenses			
Cost of materials consumed	24	85,810	91,731
Changes in inventory of finished goods and work-in-progress	25	(1,675)	731
Employee benefits	26	18,914	18,020
Finance costs	27	8,456	7,145
Depreciation and amortisation		4,638	4,340
Other expenses	28	28,385	26,187
Total expenses		**144,528**	**148,154**
Profit before exceptional items and tax		**1,230**	**3,696**
Exceptional items	29	-	(175)
Profit before tax		**1,230**	**3,521**
Tax expense			
Current tax		1,124	1,388
Minimum alternative tax charge		-	89
Minimum alternative tax entitlement		-	(89)
Deferred tax charge	6 and 44	1,297	(331)
(Loss) / Profit after tax		**(1,191)**	**2,464**
Earning per equity sbare [nominal value of sbare Rs.10 each (previous year Rs.10 eacb)]			
Basic and diluted		(22.00)	45.51
Number of shares used in computing earnings per share			
Basic and diluted		5,414,703	5,414,703
Significant accounting policies	2		

The notes referred to above form an integral part of the financial statements.

As per our report of even date attached
for **B S R & Associates**
Chartered Accountants
Firm registration number: 116231W

Sunil Gaggar
Partner
Membership number: 104315

Place: Bangalore
Date: 30 May 2013

for and on behalf of the Board of Directors of **Dynamatic Technologies Limited**

Udayant Malboutra
CEO and Managing Director

Vijai Kapur
Chairman

S. Govindarajan
Director

Hanuman Sharma
Chief Financial Officer

M. Sindhu
GM- Compliance, Legal & Company Secretary

DYNAMATIC TECHNOLOGIES LIMITED
Cash flow statement for the year ended

	31 March 2013	(Rs. in lacs) 31 March 2012
Cash flow from operating activities		
Profit before tax	1,230	3,521
Adjustments:		
Depreciation and amortisation	4,638	4,340
Finance costs	8,456	7,145
Interest income	(60)	(124)
Loss on sale of fixed assets, net	25	7
Bad debts written off	40	160
Amortisation of foreign currency monetary item translation difference account	86	36
Provision for doubtful debts, net	444	174
Unrealised foreign exchange differences	205	251
Operating cash flow before working capital changes	**15,064**	**15,510**
Decrease / (increase) in trade receivables	9,543	(3,312)
(Increase) in inventories	(1,110)	(1,281)
(Increase) in loans and advances and other assets	(38)	(2,394)
Increase in trade and other payables	1,224	7,152
Adjustment for foreign exchange in operating activity	(188)	483
Increase / (decrease) in provisions	161	(3,490)
Cash generated from operations	**24,656**	**12,668**
Income taxes (paid), net	(764)	145
Net cash generated from operating activities (A)	**23,892**	**12,813**
Cash flows from investing activities		
Purchase of fixed assets	(6,250)	(15,053)
Payment of purchase consideration, net of cash acquired	-	(16,735)
Proceeds from sale of fixed assets	307	57
Purchase of investments	-	(1)
Interest received	21	124
Net cash (used in) investing activities (B)	**(5,922)**	**(31,608)**
Cash flows from financing activities		
Proceeds from issue of share warrants	1,250	-
Proceeds of preference share capital issued by subsidiary	-	3,295
Proceeds from borrowings	2,473	26,588
Repayment of borrowings	(8,367)	(6,027)
Deferral sales tax payment	(77)	(86)
(Repayments) / Proceeds from cash credits/ working capital loans (net)	(551)	3,824
Repayments from buyer's credit (net)	(452)	(723)
Repayment of public deposits (net)	(28)	(15)
Interest expense paid	(8,529)	(6,657)
Dividend paid including tax thereon	(128)	(631)
Net cash (used in) / provided by financing activities (C)	**(14,409)**	**19,568**
Net increase in cash and cash equivalents (A + B +C)	**3,561**	**773**
Cash and cash equivalents at the beginning of the year	1,921	1,047
Effect of exchange rate changes on cash and cash equivalents	(74)	101
Cash and cash equivalents at the end of the year*	**5,408**	**1,921**

* refer note 19

As per our report of even date attached

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

Sunil Gaggar
Partner
Membership number: 104315

Place: Bangalore
Date: 30 May 2013

for and on behalf of the Board of Directors of
Dynamatic Technologies Limited

Udayant Malhoutra
CEO and
Managing Director

Vijai Kapur
Chairman

S. Govindarajan
Director

Hanuman Sharma
Chief Financial Officer

M. Sindhu
GM- Compliance,
& Company Secretary

DYNAMATIC TECHNOLOGIES LIMITED
Notes to financial statements

1 Company overview

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.

2 Significant accounting policies

a. Basis of accounting and preparation of consolidated financial statements

The consolidated financial statements of Dynamatic Technologies Limited and subsidiaries (herein referred to 'the Group') 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 that have been revalued. GAAP comprises accounting standards notified 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 are presented in Indian rupees rounded of to the nearest lacs.

b. Principles of consolidation

The consolidated financial statements include the results of the following subsidiaries:

Sl. no.	Subsidiaries	Subsidiary/ Step Subsidiary/ Associate	Country of incorporation	Effective group shareholding%
1	JKM Erla Automotive Limited (JEAL)	Subsidiary	India	99.99
2	JKM Ferrotech Limited (JFTL)	Step Subsidiary	India	99.99
3	JKM Research Farm limited (JRFL)	Subsidiary	India	99.99
4	JKM Global Pte Limited (JGPL)	Subsidiary	Singapore	100
5	Dynamatic Limited (DL, UK)	Step Subsidiary	United Kingdom	100
6	Yew Tree Investments Limited (YTIL)	Step Subsidiary	United Kingdom	100
7	JKM Erla Holdings GmbH (JEHG)	Step Subsidiary	Germany	100
8	Eisenwerk Erla GmbH (EEG)	Step Subsidiary	Germany	100
9	Harasfera Design Private Limited (HDPL)	Associate	India	50

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 Group and its share in the post-acquisition increase/decrease in the reserves of the consolidated entities.

S R & Associates
BANGALORE
560 071
CHARTERED ACCOUNTANTS

DYNAMATIC TECHNOLOGIES LTD.

DYNAMATIC TECHNOLOGIES LIMITED
Notes to financial statements

The excess/ deficit of cost to the Group 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 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 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. 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

Tangible fixed assets are stated at the cost (or revalued amounts, as the case may be) of acquisition or construction, less accumulated depreciation. All costs incurred in bringing the assets to its working condition for intended use have been capitalised.

The cost of an item of tangible fixed asset comprises its purchase price, including import duties and other non-refundable taxes or levies and any directly attributable cost of bringing the asset to its working condition for its intended use; any trade discounts and rebates are deducted in arriving at the purchase price.

The Group had revalued certain land, building, plant and machineries and electrical installations 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.

Borrowing costs directly attributable to the acquisition/ construction of the qualifying asset are capitalized as part of the cost of that asset. Other borrowing costs are recognized as an expense in the period in which they are incurred.

Exchange differences arising in respect of translation/settlement of long term foreign currency borrowings attributable to the acquisition of a depreciable asset are also included in the cost of the asset.

Tangible fixed assets under construction are disclosed as 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:

Class of assets	**Rate per annum**
Data processing equipment	25%
Furniture and fixtures	10%
Office equipment	
-Mobile phones	50%
-Others	20%
Plant and machinery	4.75% - 10.34%

B S R & Associates BANGALORE 560 071 CHARTERED ACCOUNTANTS

DYNAMATIC BANGALORE-58

d. Fixed assets and depreciation (continued)

Freehold land is not depreciated. Leasehold land is depreciated over the initial lease period. Assets individually costing Rs. 5,000 or less are fully depreciated in the year of purchase.

Depreciation is provided on a pro-rata basis i.e. from the date on which asset is ready for use or upto the date it is sold.

e. Intangibles and amortization

(i) Acquired intangible assets

Intangible assets that are acquired by the Group are measured initially at cost. After initial recognition, an intangible asset is carried at its cost less any accumulated amortization and any accumulated impairment loss.

Subsequent expenditure is capitalized only when it increases the future economic benefits from the specific asset to which it relates.

(ii) Internally generated intangible assets

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in statement of profit and loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products or processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use the asset. The expenditure capitalized includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and directly attributable borrowing costs (in the same manner as in the case of tangible fixed assets). Other development expenditure is recognized in statement of profit and loss as incurred.

Intangible assets are amortized in statement of profit and loss over their estimated useful lives, from the date that they are available for use based on the expected pattern of consumption of economic benefits of the asset. Accordingly, at present, these are being amortized on straight line basis. In accordance with the applicable Accounting Standard, the Group follows a rebuttable presumption that the useful life of an intangible asset will not exceed ten years from the date when the asset is available for use. However, if there is persuasive evidence that the useful life of an intangible asset is longer than ten years, it is amortized over the best estimate of its useful life. Such intangible assets and intangible assets that are not yet available for use are tested annually for impairment.

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
Non-compete fees	10 years

B S R & Associates ★ BANGALORE 560 071 ★ CHARTERED ACCOUNTANTS

DYNAMATIC TECHNOLOGIES LTD. ★ BANGALORE-58 ★

f. Inventories

(i) Inventories are carried at the lower of cost and net realisable value.

(ii) Cost of inventories comprises purchase price and all incidental expenses incurred in bringing the inventory to its present location and condition. The method of determination of cost is as follows:

- Raw materials and components – on a first in first out method
- Work-in-progress – includes costs of conversion
- Finished goods – includes costs of conversion
- Goods in transit – at purchase cost

(iii) Fixed production overheads are allocated on the basis of normal capacity of production facilities.

(iv) Inventories are valued at lower of cost or net realizable value. The comparison of cost and net realisable value is made on an item-by-item basis.

(v) The net realisable value of work-in-progress is determined with reference to the net realisable value of related finished goods. Raw materials and other supplies held for use in production of inventories are not written down below cost except in cases where material prices have declined, and it is estimated that the cost of the finished products will exceed their net realisable value.

(vi) The provision for inventory obsolescence is assessed on a quarterly basis and is provided as considered necessary.

g. Employee benefits

Short-term employee benefits
Employee benefits payable wholly within twelve months of receiving employee services are classified as short-term employee benefits. These benefits include salaries and wages, bonus and ex-gratia. The undiscounted amount of short-term employee benefits to be paid in exchange for employee services is recognized as an expense as the related service is rendered by employees.

Post employment benefits

Defined contribution plans
A defined contribution plan is a post-employment benefit plan under which an entity pays specified contributions to a separate entity and has no obligation to pay any further amounts. The Group makes specified monthly contributions towards employee provident fund to Government administered provident fund scheme and social security schemes in certain overseas subsidiaries which is a defined contribution plan. The Group's contribution is recognized as an expense in the statement of profit and loss during the period in which the employee renders the related service.

Defined benefit scheme
Gratuity and compensated absences 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 Group's gratuity scheme is administered by Life Insurance Corporation of India. Actuarial gain/(losses) are charged to the statement of profit and loss.

B S R & Associates ★ BANGALORE 560 071 ★ CHARTERED ACCOUNTANTS

DYNAMATIC TECHNOLOGIES LTD. ★ BANGALORE-58 ★

DYNAMATIC TECHNOLOGIES LIMITED
Notes to financial statements

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 long-term contracts (contract revenue) is recognized on the percentage of completion method. Percentage of completion method is applied by calculating the proportion that the actual costs bear to the estimated total costs of the contract. The estimates of the contract revenue and costs are reviewed periodically by the Management and any effect of change in estimate is recognized in the period such changes are determined. Liquidated damages/ penalties are provided for wherever there is a delayed delivery attributable to the Group. Provision for foreseeable losses is made in the year in which such losses are foreseen.

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.

Export benefits are recognized in the statement of profit and loss account when the right to receive credit as per the terms of the entitlement is established in respect of exports made.

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 Group is Indian Rupee. The local currencies of the non-integral subsidiaries are different from the reporting currency of the Group.

The Group is exposed to currency fluctuations on foreign currency transactions. Transactions in foreign currency are recognized at the rate of exchange prevailing on the date of the transaction. Exchange difference arising on foreign exchange transactions settled during the year is recognized in the statement of profit and loss for the year.

All monetary assets and liabilities denominated in foreign currency are restated at the rates existing at the year end and the exchange gains/losses arising from the restatement are recognized in the statement of profit and loss, except exchange differences on long term foreign currency monetary items that are related to acquisition of depreciable assets are adjusted in the carrying amount of the related fixed assets and exchange differences arising on other long-term foreign currency monetary items are accumulated in 'Foreign Currency Monetary Item Translation Difference Account' (FCMITDA), and are amortized over the balance period of the relevant foreign currency item.

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 nonmonetary are translated using the year-end rates
- Share capital and opening reserves and surplus are carried at historical cost
- Revenue and expenses 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.

B S R & Associates
BANGALORE 560 071
CHARTERED ACCOUNTANTS

j. Derivative instruments and Hedge accounting

The Group is exposed to foreign currency fluctuations on foreign currency assets, liabilities, firm commitments and highly probable forecasted transactions denominated in foreign currency. The Group limits the effects of foreign exchange rate fluctuations by following its risk management policies. In accordance with its risk management policies and procedures, the Group uses derivative instruments such as foreign currency forward contracts, options and swaps to hedge its risks associated with foreign currency fluctuations. The Group enters into derivative financial instruments, where the counterparty is a bank.

Premium or discount on foreign exchange forward contracts taken to hedge foreign currency risk of an existing asset / liability is recognised in the statement of profit and loss over the period of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss of the reporting period in which the exchange rates change.

The Group has applied the principles of AS 30 'Financial Instruments: Recognition and Measurement', to the extent that the application of the principles does 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 "hedge reserve" to the extent considered 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 statement of profit and loss.

It is the policy of the Group to enter into derivative contracts to hedge the risk of foreign exchange rate fluctuation and interest rate risks related to the loan liabilities. The derivative arrangements are co-terminus with the loan agreement and it is the intention of the Group not to foreclose such arrangements during the tenure of the loan. Accordingly the Group designates and applies cash flow hedge accounting on such types of arrangements.

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 "hedge reserve" is retained until the forecasted transaction occurs subsequent to which the same is adjusted against the related transaction in statement of profit and loss. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in shareholder's fund is transferred to statement of profit and loss in the same period.

The fair value of derivative instruments is determined based on observable market inputs and estimates including currency spot and forward rates, yield curves and currency volatility.

k. Warranties

Warranty cost is estimated by the Management on the basis of technical evaluation and past experience. The Group accrues the estimated cost of warranties at the time when the revenue is recognised.

B S R & Associates BANGALORE 560 071 CHARTERED ACCOUNTANTS

DYNAMATIC TECHNOLOGIES LTD. BANGALORE-58

DYNAMATIC TECHNOLOGIES LIMITED
Notes to financial statements

l. 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. However, that part of long term investments which is expected to be realized within 12 months after the reporting date is also presented under 'current assets' as "current portion of long term investments" in consonance with the current–non-current classification scheme of revised Schedule VI.

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.

m. Provisions and contingencies

The Group 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.

n. Impairment of assets

The Group 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 Group 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 statement of profit and loss. 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.

o. Goodwill

Any excess of the cost to the parent of its investment in a subsidiary over the parent's portion of equity of the subsidiary, at the date on which investment in the subsidiary is made, is recorded as goodwill arising on consolidation.

Goodwill arising on consolidation/acquisition of assets is not amortised. It is tested for impairment on a periodic basis and written off, if found impaired.

p. 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 Group did not have any potentially dilutive equity shares during the year.

B S R & Associates ★ BANGALORE 560 071 ★ CHARTERED ACCOUNTANTS

DYNAMATIC TECHNOLOGIES LIMITED
Notes to financial statements

q. Leases

Leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets 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.

r. 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.

Minimum Alternate Tax ('MAT') paid in accordance with the laws, which gives rise to future economic benefits in the form of tax credit against future income tax liability, is recognized as an asset in the balance sheet if there is convincing evidence that the Company will pay normal tax in near future.

The Group 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.

s. Earnings per share

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

t. Government grants and subsidies

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

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

u. Cash flow statement

Cash flows are reported using indirect method, whereby net 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 operating, investing and financing activities of the Group are segregated.

B S R & Associates BANGALORE 560 071 CHARTERED ACCOUNTANTS

DYNAMATIC TECHNOLOGIES LTD. BANGALORE-560 058

(Rs. in lacs)

	As at 31 March 2013	As at 31 March 2012
3. Share capital		
Authorised		
Equity shares		
20,000,000 (previous year 20,000,000) equity shares of Rs.10 each	2,000	2,000
Preference shares		
500,000 (previous year 500,000) redeemable cumulative preference shares of Rs. 100 each	500	500
	2,500	**2,500**
Issued, subscribed and fully paid up		
Equity shares		
5,414,703 (previous year 5,414,703) equity shares of Rs.10 each	541	541
	541	**541**

Reconciliation of shares outstanding at the beginning and at the end of the year:

Particulars	31 March 2013		31 March 2012	
	Number of shares	Amount (Rs in lacs)	Number of shares	Amount (Rs in lacs)
Shares outstanding at the beginning of the year	5,414,703	541	5,414,703	541
Shares outstanding at the end of the year	5,414,703	541	5,414,703	541

Rights, preferences and restrictions attached to equity shares:

The Company has a single class of equity shares. Accordingly, all equity shares rank equally with regard to dividends and share in the Company's residual assets. The equity shares are entitled to receive dividend as declared from time to time. The voting rights of an equity shareholder on a poll (not on show of hands) are in proportion to its share of the paid-up equity capital of the Company.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive any of the remaining asset of the Company after distribution of all preferential amounts, if any. The distribution will be in proportion to the number of equity shares held by the shareholders.

Details of equity shares allotted as fully paid-up without payment being received in cash during the period of five years immediately preceding the balance sheet date is give below:

Particulars	31 March 2012	31 March 2011	31 March 2010	31 March 2009	31 March 2008
Class of shares (Equity)					
No of shares issued	-	-	-	-	617,143

Details of equity shares allotted as fully paid-up bonus shares during the period of five years immediately preceding the balance sheet date is give below:

Particulars	31 March 2012	31 March 2011	31 March 2010	31 March 2009	31 March 2008
Class of shares (Equity)					
No of shares issued	-	-	-	-	1,048,390

During the year 2007-2008, 1,048,390 shares were allotted by way of bonus shares by capitalization of securities premium and capital redemption reserve. The Company has not bought back any shares during the period of five years immediately preceding the balance sheet date.

Particulars of shareholders holding more than 5% equity shares are given below:

Particulars	31 March 2013		31 March 2012	
	Number	% of total share	Number	% of total share
Equity shares of Rs.10 each fully paid-up held by				
-Udayant Malhoutra	898,048	16.59%	902,728	16.67%
-JKM Holdings Private Limited	912,538	16.85%	907,415	16.76%
-Udayant Malhoutra and Company Private Limited	642,011	11.86%	642,011	11.86%
-JKM Offshore India Private Limited	442,071	8.16%	442,071	8.16%
-Samena Special Situations Mauritius	467,455	8.63%	427,289	7.89%
-FID Funds (Mauritius) Limited	391,908	7.24%	391,908	7.24%
-Citigroup Global Markets Mauritius Private Limited	373,327	6.89%	373,327	6.89%

B S R & Associates BANGALORE 560 071 CHARTERED ACCOUNTANTS

DYNAMATIC TECHNOLOGIES LTD. BANGALORE-58

(Rs. in lacs)

	As at 31 March 2013	As at 31 March 2012
4. Reserves and surplus		
Capital reserves		
At the commencement and at the end of the year	15	15
	15	**15**
Capital redemption reserve		
At the commencement and at the end of the year	240	240
	240	**240**
Securities premium account		
At the commencement of the year	7,111	7,311
Less: Transfer to Business Restructuring Reserves (refer note 42)	-	(200)
At the end of the year	**7,111**	**7,111**
Hedge reserve		
At the commencement of the year	(2,707)	(275)
Add: Additions during the year	408	(2,432)
At the end of the year (refer note 37)	**(2,299)**	**(2,707)**
Business restructuring reserve (BRR)		
At the beginning of the year	-	-
Additions during the year (refer note 42)	-	7,560
Adjusted with goodwill (refer note 42)	-	(7,560)
Add: transfer from securities premium account (refer note 42)	-	200
Less: adjustment on account of depreciaiton on fair value of asset (refer note 42)	-	(200)
At the end of the year	-	-
Reserve on amalgamation		
At the commencement and at the end of the year	154	154
	154	**154**
Revaluation reserve		
At the commencement of the year	2,018	2,020
Add: Additions during the year	-	-
Less: Additional depreciation charged on revalued assets	(5)	(2)
At the end of the year	**2,013**	**2,018**
General reserve		
At the commencement of the year	3,010	2,993
Amount transferred from statement of profit and loss balance	-	17
At the end of the year	**3,010**	**3,010**
Subsidy received		
At the commencement and at the end of the year	25	25
	25	**25**
Debit balance arising on consolidation		
At the commencement of the year	(593)	-
Depreciation on fair valuation of fixed assets	(793)	(793)
Transfer to BRR	-	200
At the end of the year	**(1,386)**	**(593)**
Surplus in the statement of profit and loss balance		
At the commencement of the year	5,503	3,561
(Loss) / Profit for the year	(1,191)	2,464
Appropriations		
- Interim dividend [amount Rs. Nil per share (previous year Rs. 6 per share)]	-	(325)
- Proposed dividend [amount Rs. Nil per share (previous year Rs. 2 per share)]	-	(108)
- Tax on dividend	-	(72)
- Transfer to general reserves	-	(17)
At the end of the year	**4,312**	**5,503**
Foreign currency translation reserve		
At the beginning of the year	(1,072)	(1,133)
Additions during the year	(243)	61
At the end of the year	**(1,315)**	**(1,072)**
Foreign currency monetary item translation difference account		
At the beginning of the year	(249)	-
Exchange loss arising on account of reinstatement of loan (refer note 45)	(144)	(285)
Amount amortised during the year to statement of profit and loss (refer note 45)	86	36
At the end of the year	**(307)**	**(249)**
	11,573	**13,455**

B S R & Associates
BANGALORE 560 071
CHARTERED ACCOUNTANTS

DYNAMATIC TECHNOLOGIES LTD. BANGALORE-58.

(Rs. in lacs)

	As at 31 March 2013	As at 31 March 2012
4 (a) Non controlling interest (Preference capital)		
Issued, subscribed and fully paid up		
Preference shares issued by a subsidiary		
2,636,000 (previous year: 2,636,000) 0.01% redeemable non-cumulative preference shares of Rs 10 each with securities premium of Rs.115 per share	3,295	3,295
	3,295	**3,295**

i) Reconciliation of shares outstanding at the beginning and at the end of the year:

	31 March 2013		31 March 2012	
	Number	**Rs. in lacs**	**Number**	**Rs. in lacs**
(a) 0.01% Non-cumulative redeemable preference shares of Rs 10 each				
At the commencement of the period	2,636,000	3,295	-	-
Shares issued during the year	-	-	2,636,000	3,295
At the end of the period	2,636,000	3,295	2,636,000	3,295

iii)Particulars of shareholders holding more than 5% shares of a class of shares

	31 March 2013		31 March 2012	
	Number	**% of total shares**	**Number**	**% of total shares**
0.01% Non-cumulative redeemable preference shares of Rs 10 each held by				
SHL Trading Limited	2,636,000	100%	2,636,000	100%

Rights, preferences and restrictions attached to preference shares

0.01% redeemable, non-cumulative preference shares [NCRPS] of Rs 10 each were placed with SHL Trading Limited on June 8, 2011 at a premium of Rs 115 per share. These shares may be redeemed, in whole or in part, at the option of the Company or the holder at any time on or after 18 months from the date of allotment at a price that ensures to the subscriber an internal rate of return 18% per annum. The holders of these shares are entitled to a non-cumulative dividend of 0.01% on face value of the NCRPS.

Preference shares carry a preferential right as to dividend over equity shareholders of JKM Erla Automotive Limited. In the event of liquidation, preference shareholders have a preferential right over equity shareholders of JKM Erla Automotive Limited to be repaid to the extent of capital paid-up and dividend in arrears on such shares.

Subsequent to the year end, the JKM Erla Automotive Limited received a notice from the Subscriber that the Subscriber will not exercise its right for redemption till 30 September 2013. Further JKM Erla Automotive Limited has also obtained a legal opinion that the premium on redemption will fall due only upon the receipt of written notice from the subscriber.

B S R & Associates
BANGALORE 560 071
CHARTERED ACCOUNTANTS

DYNAMATIC TECHNOLOGIES LTD. BANGALORE-560

DYNAMATIC TECHNOLOGIES LIMITED
Notes forming part of the consolidated financial statements

	As at 31 March 2013	As at 31 March 2012
5. Long-term borrowings		
Secured		
Term loans		
- From bank @	32,096	39,216
- Financial institutions @@	1,288	1,701
- from others *	654	442
Unsecured		
Term loans		
-From bank @@@	-	693
-From others @@@@	-	4,149
Deferred payment liability		
- Sales tax deferral loan **	181	260
Deposits from shareholders ***	2	3
Deposits from others #	195	161
	34,416	**46,625**

@

(Including current maturities of the long term borrowings shown under other current liabilities)

Details of repayment terms, interest and maturity	**Nature of security**
Term loan from bank aggregating to Rs.5,712 lacs (previous year Rs.6,526 lacs) repayable in 12-20 quarterly instalments. The rate of interest ranges from 14% - 17% per annum.	First pari passu charge on the entire moveable and immovable fixed assets of the Company, present and future (other than those exclusively charged). Second pari passu charge on the entire current assets of the Company, present and future.
Term loan from bank aggregating to Rs Nil (previous year Rs. 324 lacs) repayable in 4 quarterly instalments with the rate of interest of 6 months LIBOR + 2.75% was repaid during the year	
Term loan from bank amounting to Rs.5,500 lacs (previous year Rs.5,500 lacs) repayable after moratorium period of 2 years, in 60 monthly instalments. The rate of interest is 14% - 15% per annum.	
Term loan from bank amounting to Rs.1,500 lacs (previous year Rs. 1,500 lacs) repayable after moratorium period of 2 years, in 20 quarterly instalments. The rate of interest is 12% per annum.	
Term loan from bank aggregating to Rs. 2,048 lacs (previous year Rs. 2,300 lacs) repayable in 14 quarterly instalments. The rate of interest is 13.75% per annum.	
Term loan from bank aggregating to Rs Nil (previous year Rs.155 lacs) repayable in 4 quarterly instalments with the rate of interest ranging from 6.75% - 7.1% per annum was repaid during the year.	
Term loan from bank amounting to Rs. 327 lacs (previous year Rs. Nil) repayable in 44 Monthly instalments. The rate of interest is 12 % per annum.	
Term loan from bank amounting to Rs. 852 lacs (previous year Rs. Rs. 3,257 lacs) repayable in 3 quarterly instalments. The rate of interest is Libor plus 2 % per annum.	
Term loan from bank amounting to Rs 2,508 lacs (previous year Rs 1,999 lacs) repayable in 5 halfyearly instalments. The rate of interest is Libor plus 2 % per annum.	
Term loan from banks aggregating Rs. 1,646 lacs (previous year Rs. 2,486 lacs) repayable in 2 equal yearly instalments. The rate of Interest is 3.5% + LIBOR.	The Security provided consists of a debenture over assets of DL, UK and YTIL, together with a share pledge over YTIL and corporate guarantees from Dynamtic Technologies Limited, JGPL and YTIL.

B S R & Associates
BANGALORE 560 071
CHARTERED ACCOUNTANTS

DYNAMATIC TECHNOLOGIES LTD. BANGALORE-48

DYNAMATIC TECHNOLOGIES LIMITED

Notes forming part of the consolidated financial statements

Details of repayment terms, interest and maturity	Nature of security
Term loan from banks aggregating Rs. 6,956 lacs (previous year Rs. 6,917 lacs) repayable at the end of 2 years from the final drawdown with rate interest of Libor + 2.50% per annum.	Corporate guarantee of Dynamatic Technologies Limited and JEAL
Term loan from banks aggregating Rs. 2,420 lacs (previous year Rs. 2,276 lacs) repayable in 6 half yearly instalments after moratorium period of 13 months. The rate of interest is Libor + 3.00% per annum.	The term loan is secured by first pari passu charge on the fixed assets of JEAL and Second pari pasu on corporate guarantee of Dynamatic Technologies Limited.
Term loan from banks aggregating to Rs. 1,623 lacs (previous year Rs. 2,421 lacs) repayable in 2 yearly instalments.The rate of interest is Libor plus 3.50% per annum.	The term loan is secured by corporate guarantee of Dynamatic Technologies Limited.
Term loan from banks aggregating Rs. 2,538 lacs (previous year Rs. Rs. 2,524 lacs) repayable in 6 half yearly instalments, after moratorium period of 13 months. The rate of interest is LIBOR + 3.50%.	
Term loan from banks aggregating Rs. 373 lacs (previous year Rs. 469 lacs) repayable in 15 quarterly instalments. The rate of interest is 6.75% per annum.	The term loan is secured by charge on land and machineries (other than those exclusively charged).
Term loan from banks aggregating Rs. 239 lacs (previous year Rs. 324 lacs)repayable in 11 quarterly instalments. The interest of rate is 5.50% per annum.	
Term loan from banks aggregating Rs. Nil (previous year Rs. 968 lacs) was repaid during the year.	
Term loan from banks aggregating Rs. Nil (previous year Rs. 415 lacs)was repaid during the year.	
Term loan from banks aggregating Rs. 732 lacs (previous year Rs. 903 lacs) repayable in 44 monthly instalments. The rate of interest is 5.42% per annum.	Secured by way of exclusive charge on assets financed by them.
Term loan aggregating Rs. 3,207 lacs (previous year Rs. 4,083 lacs) is repayable in 24 quarterly instalments. The rate of interest ranges from 11% - 13.55% per annum.	Secured, ranking pari passu , by way of first charge on present and future fixed assets and second charge on current assets. Corporate guarantee by the Dynamatic Technologies Limited.
Term loan aggregating Rs.1,500 lacs (previous year Rs.Nil) is repayable in 42 monthly instalments. The rate of interest is 6 months base rate + 4% per annum.	
Term loan aggregating Rs.1,376 lacs (previous year Rs.1,500 lacs) is repayable in 54 monthly instalments. The rate of interest is 6 months base rate + 4% per annum.	

@@

(Including current maturities of the long term borrowings shown under other current liabilities)

Details of repayment terms, interest and maturity	Nature of security
Term loan from financial institutions aggregating to Rs. 515 lacs (previous year Rs. 619 lacs) repayable in 43 monthly instalments. The rate of interest is 14% p.a	Secured by way of exclusive charge on assets financed by Siemens Financials Services Private Limited.
Term loan from financial institutions aggregating to Rs. 1,096 lacs (previous year Rs. 1,389 lacs) repayable in 15 quarterly instalments. The rate of interest is 9.73 to 13.03% p.a	Exclusive charge of GE Capital Services India on assets (as approved by GECSI) financed from the GE loan in accordance with deed of hypothecation.
Deferred payment liability from financial institutions aggregating to Rs 106 lacs (previous year Rs 111 lacs) payable in 55 monthly instalments from the date of purchase.	Exclusive charge on assets financed.

* Secured by hypothecation of vehicle / machineries. The amount is payable in 36-60 monthly installments from the date of purchase.

@@@

Unsecured Term loan from banks aggregating Rs. 695 lacs (previous year Rs. 693 lacs) repayable within 31 March 2014. The interest of rate is 3.35% per annum.

@@@@

Term loan from others aggregating Rs 4,640 lacs (previous year Rs 4,149 lacs) is repayable in one installment. The rate of interest is 7.8% per annum.

Deferred payment liability towards sales tax loan

** To promote the industries in backward area (i.e. @ Irungattukottai) Government of Tamil Nadu, announced a sales tax loan facility. To avail the facility, the Company has entered into an agreement with the Sales tax department for deferring payment of sales tax collected during financial year 2001-02 to 2005-06. The deferred amount will be repaid by 2014-15. The amount repayable in 2013-14 is Rs. 88 lacs and accordingly disclosed in current maturities of long-term debt in "Other current liabilities".

*** Deposits from shareholders carry interest rate in the range 10-11 % and are repayable within 1- 3 years from respective date of deposit.

Deposits from others carry interest rate in the range 10-11 % and are repayable within 1- 3 years from respective date of deposit.

B S R & Associates BANGALORE 560 071 CHARTERED ACCOUNTANTS

DYNAMATIC TECHNOLOGIES LIMITED
Notes forming part of the consolidated financial statements

(Rs. in lacs)

	As at 31 March 2013	As at 31 March 2012
6. Deferred tax liabilities (net)		
Deferred tax liabilities		
Fixed assets	4,641	4,032
	4,641	**4,032**
Deferred tax assets		
Employee benefits	69	75
Provision for bad and doubtful debts	225	81
Warranty	20	-
Bonus and incentives	4	-
Unabsorbed depreciation and business loss	1,192	2,042
	1,510	**2,198**
Deferred tax liabilities (net)	**3,131**	**1,834**
The net deferred tax assets and deferred tax liabilities of Rs 3,131 (previous year: Rs 1,834) lacs has the following breakdown:		
Deferred tax assets*	-	1,035
Deferred tax liabilities	3,131	2,869
Deferred tax liabilities (net)	**3,131**	**1,834**
* refer note 44		
7. Other long term liabilities		
Advance from customer	209	102
Derivative liabilities (refer note 37)	1,608	2,409
Others	99	129
	1,916	**2,640**
8. Long-term provisions		
Provision for employee benefits		
Gratuity (refer note 33)	10	48
Compensated absences	147	146
	157	**194**

B S R & Associates
BANGALORE 560071
CHARTERED ACCOUNTANTS

DYNAMATIC TECHNOLOGIES LTD. BANGALORE-58

DYNAMATIC TECHNOLOGIES LIMITED
Notes forming part of the consolidated financial statements

(Rs. in lacs)

	As at 31 March 2013	As at 31 March 2012
9. Short term borrowings		
Secured		
Loans repayable on demand		
Cash credit *	13,760	14,078
Unsecured		
From banks		
- Foreign currency buyer's credit **	324	776
- Vendor bill discounting #	2,879	3,533
Borrowings from shareholder, JKM Holding Private Limited ## (refer note 35)	470	50
	17,433	**18,437**

* Cash credit from banks carry interest ranging between 5.18% - 16.25% p.a., computed on a monthly basis on the actual amount utilized, and are repayable on demand. These are secured by pari passu charge by way of hypothecation of stock and book debts of the Company.

** The Company has taken foreign currency buyer's credit, which carry interest ranging between 1.29% - 2.154% for 180 days and are renewable at 6 monthly rest for a maximum of three years.

The Company has availed vendor bill discounting facility from banks which carry interest between 12% - 14.50% p.a.., and is payable within 90 days from date of bill discounted.

The loan carries interest @ 16.75% to 18.00 % p.a. repayable in various installments by 15 July 2013.

10. Trade payables

Due to micro and small enterprises (refer note 40)	-	-
Dues to creditors other than micro and small enterprises*	21,118	18,820
Acceptances	3,323	4,053
* includes amounts payable to related parties, refer note 35	**24,441**	**22,873**

11. Other current liabilities

Current maturities of long-term debt (refer note 5)	15,005	8,717
Employee related liabilities	1,399	1,344
Interest accrued but not due on borrowings	831	758
Accrued expenses	762	914
Statutory liabilities	739	812
Derivative liabilities (refer note 37)	548	297
Capital creditors	544	946
Advance from customer	428	662
Acceptances for capital goods	97	-
Dealer deposits	55	60
Unpaid dividend	28	30
Others	51	74
	20,487	**14,614**

*Includes current maturities of term loans from banks Rs 8,961 lacs (previous year: Rs 7,631 lacs), current maturities of term loans from financial institutions Rs 429 lacs (previous year: Rs 418 lacs), current maturities of unsecured term loans from bank and others Rs 467 lacs (previous year: Rs 328 lacs), secured term loans from bank and others Rs 4,868, current maturities of sales tax deferral loan Rs 88 lacs (previous year: Rs 86 lacs) and current maturities of deposits from shareholders and others category Rs 192 lacs (previous year: Rs 254 lacs).

B S R & Associates
BANGALORE
560 071
CHARTERED ACCOUNTANTS

DYNAMATIC TECHNOLOGIES LTD
BANGALORE-58

DYNAMATIC TECHNOLOGIES LIMITED
Notes forming part of the consolidated financial statements

		(Rs. in lacs)
	As at 31 March 2013	**As at 31 March 2012**
12. Short-term provisions		
Provision for employee benefits:		
Gratuity (refer note 33)	17	-
Compensated absences	118	118
Others		
Warranties (refer note 34)	689	457
Proposed equity dividend [including tax thereon Rs Nil (previous year Rs 17 lacs)]	-	126
Taxation	1,878	2,198
Onerous contracts (refer note 34)	73	69
Others	56	111
	2,831	**3,079**

DYNAMATIC TECHNOLOGIES LIMITED
Schedules to the consolidated balance sheet (continued)

13. Fixed assets

(Rs in lakhs)

	Gross block									Accumulated depreciation					Net block	
	As at 1 April 2012	Assets acquired on acquisition	Fair value adjustment	Additions	Exchange differences	Borrowing costs	Total Additions	Deletions/ adjustments	As at 31 March 2013	As at 1 April 2012	Charge for the year	Adjustment due to revaluations	Deletions/ adjustments	As at 31 March 2013	As at 31 March 2013	As at 31 March 2012
Tangible fixed assets (leased)																
Leasehold land	402	-	-	16	-	-	16	-	418	-	9	-	-	9	409	402
Tangible fixed assets (owned)																
Freehold land	4,714	-	-	168	-	-	168	-	4,882	-	-	-	-	-	4,882	4,714
Buildings	15,256	-	-	1,201	4	-	1,205	-	16,461	1,596	725	5	-	2,326	14,135	13,660
Plant and machinery	45,289	-	-	6,471	(42)	-	6,429	644	51,074	16,623	3,719	-	354	19,988	31,086	28,666
Measuring instruments	377	-	-	10	(7)	-	3	47	333	130	15	-	42	103	230	247
Electrical installations	2,122	-	-	16	1	-	17	-	2,139	405	40	-	-	445	1,694	1,717
Data processing equipment	1,018	-	-	22	1	-	23	1	1,040	797	54	-	1	850	190	221
Office equipment	1,813	-	-	326	-	-	326	244	1,895	500	269	-	239	530	1,365	1,313
Furniture and fixtures	403	-	-	8	-	-	8	9	402	261	37	-	6	292	110	142
Tools, dies and moulds	2,404	-	-	568	(9)	-	559	-	2,963	941	248	-	-	1,189	1,774	1,463
Vehicles	799	-	-	12	-	-	12	69	742	236	73	-	40	269	473	563
Motor boat	402	-	-	-	-	-	-	-	402	20	21	-	-	41	361	382
Total tangible fixed assets (A)	74,999	-	-	8,818	(52)	-	8,766	1,014	82,751	21,509	5,210	5	682	26,042	56,709	53,490
Intangible fixed assets, owned																
Application software	709	-	-	67	1	-	68	14	763	464	137	-	14	587	176	245
Prototype development	1,713	-	-	1,162	-	-	1,162	-	2,875	309	228	-	-	537	2,338	1,404
Non compete fee	836	-	-	-	-	-	-	-	836	586	162	-	-	748	88	250
Total intangible fixed assets (B)	3,258	-	-	1,229	1	-	1,230	14	4,474	1,359	527	-	14	1,872	2,602	1,899
Grand total (A) + (B)	78,257	-	-	10,047	(51)	-	9,996	1,028	87,225	22,868	5,737	5	696	27,914	59,311	55,389
Previous year	45,949	14,095	7,560	10,704	120	91	10,915	262	78,257	15,734	7,329	3	198	22,868	55,389	-

Note:
Addition to fixed assets, under applicable categories of tangible owned assets, includes an amount aggregating Rs 3,986 towards commencement of horizontal line effective 1 December 2012.

Depreciation for the year is reflected as follows:	**2013**	**2012**
Depreciation as per statement of profit and loss	4,638	4,340
Depreciation capitalised for intangible assets	31	46
Fair value depreciation (refer note 42)	793	793
Translation adjustment	275	2,150
	5,737	7,329

B S R & Associates
BANGALORE 560 071
CHARTERED ACCOUNTANTS

DYNAMATIC TECHNOLOGIES LTD. BANGALORE-58

(Rs. in lacs)

	As at 31 March 2013	As at 31 March 2012
14. Non-current investments		
(valued at cost unless stated otherwise)		
Other than trade investments		
Investment in equity instruments		
a) Investment in other entities - unquoted		
1) 5,000 (previous year - 5,000) equity shares of Rs.10 each of Harasfara Design Private Limited	1	1
2) 921,530 (previous year 921,530) equity shares of Rs.10 each of Murablack (India) Limited	92	92
Provision for diminution in value	(92)	(92)
	1	1
	1	**1**
Aggregate book value of unquoted investments	**1**	**1**
15. Long term loans and advances		
Other loans and advances		
Unsecured, considered good		
Security deposits	1,103	821
Capital advances	132	1,147
Cenvat receivable	-	133
Advance tax and tax deducted at source, net of provisions	925	481
	2,160	**2,582**
16. Other non-current assets		
Other bank balances		
Bank deposits with more than 12 months maturity from the reporting date	-	36
Unpaid dividend account	28	30
Derivative asset (refer note 37)	-	520
Prepaid loan processing fees	63	78
Prepaid expenses	68	404
	159	**1,068**
17. Inventories		
(Valued at lower of cost and net realizable value)		
Raw materials (includes Rs 96 lacs (py: Rs 96 lacs) of goods-in transit)	6,097	6,961
Work-in-progress	10,121	9,231
Finished goods	2,400	1,615
Stores and spares	1,635	1,336
	20,253	**19,143**

B S R & Associates ★ BANGALORE 560 071 ★ CHARTERED ACCOUNTANTS

DYNAMATIC TECHNOLOGIES LTD

(Rs. in lacs)

	As at 31 March 2013	As at 31 March 2012
18. Trade receivables		
Unsecured		
Outstanding for period exceeding six months		
- Considered good	1,979	1,253
- Considered doubtful	744	300
Other debts		
- Considered good	12,633	23,376
	15,356	**24,929**
Less: Provision for doubtful receivables	(744)	(300)
	14,612	**24,629**
19. Cash and bank balances		
Cash and cash equivalents		
- Cash on hand	15	10
- Balance with banks		
- in current accounts	5,393	1,911
	5,408	**1,921**
Other bank balances		
- on margin money deposit accounts	481	406
- on fixed deposit accounts	43	-
	5,932	**2,327**
20. Short term loan and advances		
Loans and advances		
Unsecured, considered good		
Adances to supplier	450	476
Cenvat receivable	1,408	1,460
Security deposits	-	211
Value added tax receivable	199	198
Loans to employees	46	34
Minimum alternate tax credit entitlement	394	394
Others	10	192
	2,507	**2,965**
21. Other current assets		
Unbilled revenue	1,378	762
Derivative asset (refer note 37)	-	339
Prepaid expenses	515	567
Prepaid loan processing fees	24	32
Export incentives receivable	138	98
Interest accrued	39	-
Others	44	22
	2,138	**1,820**

B S R & Associates ★ BANGALORE 560 071 ★ CHARTERED ACCOUNTANTS

DYNAMATIC TECHNOLOGIES LTD. ★ BANGALORE-58 ★

(Rs. in lacs)

	For the year ended 31 March 2013	For the year ended 31 March 2012
22. Other operating revenues		
Scrap sales	1,353	1,030
Export incentives	143	108
	1,496	**1,138**
23. Other income		
Interest income from bank deposits	60	124
Provision no longer required writen back	275	698
Miscellaneous income	210	175
	545	**997**
24. Cost of materials consumed		
Raw materials and packing materials consumed*		
Inventory of materials at the beginning of the year	6,961	4,268
Add: purchases	84,946	94,424
Less: closing stock	6,097	6,961
	85,810	**91,731**
(* the consumption disclosed is based on the derived figures rather than actual records of issue)		
25. Changes in inventory of finished goods and work-in-progress		
Opening stock		
- Finished goods	1,615	1,902
- Work-in-progress	9,231	9,675
	10,846	11,577
Closing stock		
- Finished goods	2,400	1,615
- Work-in-progress	10,121	9,231
	12,521	10,846
	(1,675)	**731**

B S R & Associates
BANGALORE 560 071
CHARTERED ACCOUNTANTS

DYNAMATIC TECHNOLOGIES LTD. BANGALORE-50

(Rs. in lacs)

	For the year ended 31 March 2013	For the year ended 31 March 2012
26. Employee benefits expense		
Salaries, wages and bonus	15,858	14,615
Contribution to provident fund and other funds	1,121	1,531
Workmen and staff welfare expenses	1,935	1,874
	18,914	**18,020**
27. Finance cost		
Interest expenses	7,699	6,769
Amortization of loan processing charges	24	27
Other borrowing costs	733	349
	8,456	**7,145**
28. Other expense		
Power and fuel	7,445	6,581
Subcontractor charges	4,618	4,165
Consumption of stores, loose tools and spare parts	4,089	4,531
Freight outward	1,328	1,374
Rent (refer note 32)	1,248	899
Traveling and conveyance	1,156	985
Legal and professional	1,048	1,178
Foreign exchange loss (net)	1,038	313
Insurance	510	560
Repairs and maintenance:		
- plant and machinery	1,517	1,597
- buildings	425	301
- others	929	1,000
Provision for doubtful debts	444	174
Rates and taxes	404	255
Warranty and replacement expenses	261	115
Cash discount	257	375
Packing expenses	168	182
Communication	159	172
Sales commission	154	231
Security charges	153	98
Printing and stationery	139	136
Auditor's remunaration	132	115
Membership and subscriptions	79	44
Sales promotion and advertisement	63	97
Bad debts written off	40	160
Loss on sale of fixed assets (net)	25	7
Directors sitting fees	11	11
Miscellaneous expenses	545	531
	28,385	**26,187**
29. Exceptional items		
Expenses incurred to acquire a foreign subsidiary*		
- Professional charges	-	69
- Travelling	-	67
- Others	-	39
	-	175

*Pertains to various expenses incurred by the Company such as professional and other ancillary charges towards acquisition of shares of Eisenwerk Erla GmbH, Germany, through its step subsidiary, which do not qualify for cost of investment as envisaged in Accounting Standard (AS) 13 -'Accounting for Investments'.

B S R & Associates
BANGALORE 560 071
CHARTERED ACCOUNTANTS

30 Capital commitments

(Amount in Rs. lacs)

Particulars	As at 31 March 2013	As at 31 March 2012
Estimated amount of contracts to be executed on capital account (net of advances) and not provided for	395	1,363

Amounts payable to preference shareholder at the time of redemption. The redemption value of the NCRPS (Non - Cumulative Redeemable Preference Shares) shall be at a value which guarantees 18% p.a. internal rate of return to the preference share holder. There are no other material capital commitments.

31 Contingent liabilities

The details of contingent liabilities are as under:

(Amount in Rs. lacs)

Particulars	As at 31 March 2013	As at 31 March 2012
Financial guarantee	22,075	19,423

32 Lease transactions

a) The Company is obligated under cancelable operating leases for office, residential facilities and vehicles. Lease rental expense under operating leases during the year was Rs 246 lacs (previous year Rs 319 lacs).

b) The Company is obligated under non-cancelable operating leases for plant and machinery. Lease rental expense under non cancellable operating leases during the year was Rs 1,002 lacs (previous year Rs 580).

(Amount in Rs. lacs)

Particulars	As at 31 March 2013	As at 31 March 2012
Payable within one year	1,054	820
Payable within one and five years	2,299	1,923

33 Gratuity plan

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

(Amount in Rs. lacs)

Change in defined benefit obligation	As at 31 March 2013	As at 31 March 2012
Opening defined benefit obligation	755	661
Additions due to acquisition	-	14
Current service cost	57	70
Interest cost	58	51
Benefits settled	(114)	(51)
Actuarial losses/ (gain)	1	10
Closing defined benefit obligation	**757**	**755**

B S R & Associates * BANGALORE 560 071 * CHARTERED ACCOUNTANTS

DYNAMATIC TECHNOLOGIES LTD. * BANGALORE-56. *

(Amount in Rs. lacs)

Change in plan assets	**As at 31 March 2013**	**As at 31 March 2012**
Plan assets at the beginning of the year, at fair value	707	592
Additions due to acquisition	-	15
Expected return on plan assets (estimated)	54	50
Contributions	84	99
Benefits settled	(125)	(51)
Actuarial gain/(losses)	10	2
Plan assets at the end of the year, at fair value	**730**	**707**

(Amount in Rs. lacs)

Reconciliation of present value of the obligation and the fair value of the plan assets	**As at 31 March 2013**	**As at 31 March 2012**
Fair value of plan assets at the end of the year	730	707
Present value of the defined benefit obligations at the end of the year	757	755
Liability recognized in the balance sheet	**(27)**	**(48)**

(Amount in Rs. lacs)

Gratuity cost for the year	**For the year ended 31 March 2013**	**For the year ended 31 March 2012**
Current service cost	57	70
Interest cost	58	51
Net actuarial losses/ (gain) recognised in year	(9)	8
Return on plan assets	(54)	(50)
Total, included in "Employee benefit expense"	**52**	**79**

Assumptions at the valuation date	**For the year ended 31 March 2013**	**For the year ended 31 March 2012**
Discount factor	8.25%	8.5%
Expected rate of return on plan assets	8.00%	8.5%
Expected rate of salary increase	6.00%	6.0%
Attrition rate	5.00%	5.0%
Retirement age	58	58
Expected Employer's contribution over one year	Rs 110 lacs	Rs 100 lacs

The estimate of future salary increases considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.

Five Year Information

Amounts for the current and previous four periods as on 31 March are as follows:

(Amount in Rs. lacs)

	2013	**2012**	**2011**	**2010**	**2009**
Present value of DBO	757	755	661	508	456
Fair value of plan assets	730	707	592	494	413
Funded status [Surplus / (Deficit)]	(27)	(48)	(69)	(15)	(43)
Experience gain / (loss) adjustments on plan liabilities	(1)	(10)	(5)	(2)	0
Experience gain / (loss) adjustments on plan assets	10	2	2	5	4

B S R & Associates
BANGALORE 560 071
CHARTERED ACCOUNTANTS

DYNAMATIC TECHNOLOGIES LTD BANGALORE-99

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

Provision for warranty:

(Amount in Rs. lacs)

Particulars	As at 31 March 2013	As at 31 March 2012
Opening balance	457	58
Provision (including due to acquisitions)	261	931
Utilized during the year	(29)	(532)
Closing balance	**689**	**457**

Warranty provision is utilised to make good the amount spent on spares, labour, and all other related expenses on the event of failure of automotive products. All the amounts are expected to be utilised in the ensuing year. Outflows are expected to maintain the same trend as that of past years. No amount is expected as a reimbursement towards this cost.

Provision for onerous contracts:

(Amount in Rs. lacs)

Particulars	As at 31 March 2013	As at 31 March 2012
Opening balance	69	-
Provision (including due to acquisitions)	4	69
Utilized during the year	-	-
Closing balance	**73**	**69**

35 Related party transactions:

(a) Names of related parties and relationship

Sl. No.	Name of related parties	Relationship
(i)	Dynamatic Ltd, UK	Step Subsidiary
(ii)	JKM Global Pte Limited, Singapore	Subsidiary
(iii)	JKM Research Farm Limited	Subsidiary
(iv)	JKM Erla Automotive Limited	Subsidiary
(v)	JKM Erla Holdings GmbH, Germany	Step Subsidiary
(vi)	Eisenwerk Erla GmbH, Germany	Step Subsidiary
(vii)	JKM Ferrotech Limited	Step Subsidiary
(viii)	Harasfera Design Private Limited	Associate
(ix)	Yew Tree Investments Limited	Step Subsidiary
(x)	JKM Holdings Private Limited	Companies over which key management personnel or relatives of such personnel are able to exercise significant influence (other related entities)
(xi)	JKM Human Resources Private Limited	
(xii)	JKM Offshore (India) Private Limited	
(xiii)	Udayant Malhoutra and Company Private Limited	
(xiv)	Wavell Investments Private Limited	
(xv)	Vita Private Limited	

B S R & Associates BANGALORE 560 071 CHARTERED ACCOUNTANTS

DYNAMATIC TECHNOLOGIES LTD. BANGALORE-58

Sl. No.	Name of related parties	Relationship
(xvi)	Udayant Malhoutra	Chief Executive Officer and Managing Director
(xvii)	V Sunder	President and Group Chief Financial Officer up to 30 September 2012, Non-executive director from 1 October 2012.
(xviii)	B Seshnath	Executive Director and Chief Marketing Officer up to 14 August 2012
(xix)	N Rajagopal	Executive Director and Chief Technology Officer
(xx)	Raymond Keith Lawton	Director, Dynamatic Technologies Limited and Managing Director, Hydraulics Division,, Dynamatic Limited, UK.
(xxi)	Claire Tucker	Director, Dynamatic Technologies Limited and Corporate Director, European Operations, Dynamatic Limited, UK.
(xxii)	Pramilla Malhoutra	Relatives of KMP
(xxiii)	Udita Malhoutra	
(xxiv)	Barota Malhoutra	

(b) Transactions with related parties and year end balances

(Amount in Rs. lacs)

Sl. No.	Name of related party	Description of the transaction	Transactions		Outstanding balance [receivable / (payable)]	
			31 March 2013	31 March 2012	As at 31 March 2013	As at 31 March 2012
(i)	Harasfera Design Private Limited	Legal and professional charges paid	19	-	-	-
(ii)	JKM Holdings Private Limited	Rent paid	4	4	-	-
		Interest expenses	-	32	-	-
		Short term borrowings	-	-	-	(50)
		Short term borrowings repaid	50	-	-	-
		Interim dividend paid	-	53	-	-
		Final dividend paid	18	32	-	-
(iii)	JKM Human Resources Private Limited	Expenses- salaries and wages	761	786	(51)	(32)

B S R & Associates
BANGALORE 560 071
CHARTERED ACCOUNTANTS

Sl. No.	Name of related party	Description of the transaction	Transactions		Outstanding balance [receivable / (payable)]	
			31 March 2013	31 March 2012	As at 31 March 2013	As at 31 March 2012
(iv)	JKM Offshore (India) Private Limited	Interim dividend paid	-	26	-	-
		Final dividend paid	9	18	-	-
(v)	Udayant Malhoutra and Company Private Limited	Interim dividend paid	-	39	-	-
		Final dividend paid	13	27	-	-
		Interest expenses	67	-	-	-
		Short term borrowings	270	-	(270)	-
(vi)	Wavell Investments Private Limited	Short term borrowings	200	-	(200)	-
(vii)	Udayant Malhoutra	Interim dividend paid	-	56	-	-
		Final dividend paid	18	38	-	-
		Managerial remuneration	54	52	-	-
(viii)	V Sunder	Managerial remuneration	29	53	-	-
(ix)	B Seshnath	Managerial remuneration	24	40	-	-
(x)	N Rajagopal	Managerial remuneration	45	42	-	-
(xi)	Raymond Keith Lawton	Managerial remuneration	88	71	-	-
(xii)	Claire Tucker	Managerial remuneration	109	97	-	-
(xiii)	Pramilla Malhoutra	Expenses- rent	24	22	-	-
(xiv)	Udita Malhoutra	Expenses- rent	4	4	-	-
(xv)	Others	Interim dividend paid	-	6	-	-
		Final dividend paid	2	4	-	-

B S R & Associates ★ CHARTERED ACCOUNTANTS ★ BANGALORE 560 071

DYNAMATIC TECHNOLOGIES LTD. ★ BANGALORE-99 ★

36 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 and power packs
- Aluminium Castings ("AC") – comprising castings for automotive components
- Automotive Components ("AUC") – comprising case front, water pumps, intake manifolds and exhaust manifold
- Aerospace ("ASP") – comprising airframe structures, precision aerospace and components
- Wind farm("WF") – generation of power through wind energy.
- Others – comprising Homeland division which offers cutting edge security products and technologies which will enhance potential customer capability in countering modern day security threats
- Research farm ("RF") – "RF" is continuously engaged in finding innovative solutions by testing and validating pumps used in mechanized farming and earth moving sectors to suit real time field conditions.

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

Information relating to business segments for the year ended 31 March 2013

(Amount in Rs lacs)

Particulars	HPE	AC	AUC	ASP	Others	RF	Unallocated	Total
A. Primary Segment reporting								
(i) Revenue								
Sales and services	31,139	4,488	107,964	17,151	913	107	-	161,762
Less: excise duty	(2,112)	-	(3,446)	(11)	(12)	-	-	(5,581)
Less: Inter-segment sales and services	(374)	(4,249)	(3,087)	(2,358)	(793)	(107)	-	(10,968)
Other income	-	-	-	-	-	-	545	545
Total Revenue	**28,653**	**239**	**101,431**	**14,782**	**108**	**-**	**545**	**145,758**
(ii) Results								
Segment result - EBIDTA-profit/(loss)	2,948	(357)	4,644	5,863	596	85	545	14,324
(Less): depreciation	(865)	(278)	(2,307)	(978)	(202)	(8)	-	(4,638)
Segment result - profit/(loss)	2,083	(635)	2,337	4,885	394	77	545	9,686
(Less): Finance costs	-	-	-	-	-	-	(8,456)	(8,456)
Profit/(loss) before taxation	**2,083**	**(635)**	**2,337**	**4,885**	**394**	**77**	**(7,911)**	**1,230**
(Less): Provision for taxation	-	-	-	-	-	-	(2,421)	(2,421)
Net profit / (loss) after tax	**2,083**	(634)	**2,337**	**4,885**	**394**	**75**	**(10,332)**	**(1,191)**

B S R & Associates ★ BANGALORE 560 071 ★ CHARTERED ACCOUNTANTS

DYNAMATIC TECHNOLOGIES LTD ★ BANGALORE-560 ★

(Amount in Rs. lacs)

(iv) Other Information								
Segment assets	17,563	3,704	57,383	22,295	4,100	657	15,769	121,471
Segment liabilities	6,710	1,362	48,648	3,203	104	72	48,008	108,107
Capital expenditure	486	131	3,845	1,946	157	166	-	6,731
Depreciation	865	278	2,307	978	202	8	-	4,638

Information relating to business segments for the year ended 31 March 2012

(Amount in Rs. lacs)

Particulars	**HPE**	**AC**	**AUC**	**ASP**	**Others**	**RF**	**Unallocated**	**Total**
A. Primary Segment reporting								
(i) Revenue								
Sales and services	30,388	5,484	113,513	14,123	499	108	-	164,115
Less: excise duty	(1,849)	(24)	(2,559)	(22)	(4)	-	-	(4,458)
Less: Inter-segment sales and services	(76)	(4,819)	(3,338)	-	(463)	(108)	-	(8,804)
Other income	-	-	-	-	-	-	997	997
Total Revenue	**28,463**	**641**	**107,616**	**14,101**	**32**	**-**	**997**	**151,850**
(ii) Results								
Segment result - EBIDTA-profit/(loss)	4,507	(597)	5,405	5,385	254	97	130	15,181
(Less): depreciation	(801)	(257)	(2,293)	(812)	(169)	(8)	-	(4,340)
Segment result - profit/(loss)	3,706	(854)	3,112	4,573	85	89	130	10,841
(Less): Finance costs	-	-	-	-	-	-	(7,145)	(7,145)
(Less): Exceptional item	-	-	-	-	-	-	(175)	(175)
Profit/(loss) before taxation	**3,706**	**(854)**	**3,112**	**4,573**	**85**	**89**	**(7,190)**	**3,521**
(Less): Provision for taxation	-	-	-	-	-	-	(1,057)	(1,057)
Net profit after tax	**3,706**	**(854)**	**3,112**	**4,573**	**85**	**89**	**(8,247)**	**2,464**

(Amount in Rs. lacs)

(iv) Other Information	**HPE**	**AC**	**AUC**	**ASP**	**Others**	**RF**	**Unallocated**	**Total**
Segment assets	25,450	3,972	76,635	18,494	3,775	663	(449)	128,540
Segment liabilities	9,882	2,800	58,418	5,122	39	141	38,224	114,626
Capital expenditure	1,451	1,017	29,511	6,017	137	65	-	38,197
Depreciation	801	257	2,293	812	169	8	-	4,340

B S R & Associates ★ BANGALORE 560 071 ★ CHARTERED ACCOUNTANTS

DYNAMATIC TECHNOLOGIES LTD ★ BANGALORE-58 ★

37 Derivative instruments

As of 31 March 2013, the Company has recognized a cumulative loss of Rs 2,299 lacs (2012:Rs 2,706 lacs) relating to derivative instruments (comprising of foreign currency forward contracts) that are designated as effective cash flow hedges in the shareholders' fund.

The following table presents the aggregate contracted principal amounts of the Company's derivative contracts outstanding as at:

Amount in Rs. lacs

Particulars		As at 31 March 2013	As at 31 March 2012
Designated derivative instruments			
Forwards sell	GBP	107	149
Interest rate swap	EURO	17,150	17,150
	USD	45	45
Non designated derivative instruments			
Cross currency swaps	JPY	-	3,476
	SGD	-	80
Forwards – Sell	EURO	-	3
	USD	-	16
Forwards and options - Buy	USD	-	35
	JPY	1,475	-

As of the balance sheet date, the Company has foreign currency exposures that are not hedged by a derivative instrument or otherwise as detailed below:

Particulars	As at 31 March 2013		As at 31 March 2012	
	Amount in original currency in lacs	Amount in Rs. lacs	Amount in original currency in lacs	Amount in Rs. Lacs
Trade receivables				
USD	33	1,842	49	2,490
EURO	7	480	6	402
GBP	9	731	7	596
Advance paid				
CHF	-	-	-	5
Trade payables				
USD	40	2,160	69	3,518
EURO	3	247	1	63
GBP	-	22	-	3
CHF	-	2	-	-
JPY	66	38	502	313

B S R & Associates
BANGALORE 560 071
CHARTERED ACCOUNTANTS

DYNAMATIC TECHNOLOGIES LTD. BANGALORE-58

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

(Amount in Rs. lacs)

Particulars	For the year ended 31 March 2013	For the year ended 31 March 2012
Contract revenue recognized as revenue for tbe year	1,759	963
Aggregate amount of contract cost incurred for contracts in progress at the reporting date	813	725
Recognized profits (less recognized losses) for contracts in progress at the reporting date	565	37
Unbilled revenues (contract revenue recognized in excess of billings) presented under other current assets	1,378	762
Advance received from customer	591	183

39 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.

40 Dues to Micro and Small Enterprises

According to the information available with the Group, there are no dues payable to Micro and Small Enterprises as defined under the "The Micro, Small and Medium Enterprises Development Act, 2006". The Ministry of Micro, Small and Medium Enterprises has issued an Office Memorandum dated 26 August 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneur's Memorandum Number as allocated after filling of the Memorandum. Further there are no dues payable to small scale industries (previous year: Rs Nil).

41 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. Since the law requires existence of such information and documentation to be contemporaneous in nature, the Company is in the process of updating the documentation for the international as well as specified domestic transactions entered into with the associated enterprise during the financial year and expects such records to be in existence latest by the end of the stipulated timeline, as required by law. The Management is of the opinion that its international as well as specified domestic transactions are at arm's length so that the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expenses and that of provision for taxation.

B S R & Associates * BANGALORE 560 071 * CHARTERED ACCOUNTANTS

42 In accordance with the Scheme of Arrangement between JEAL and its respective shareholders and creditors duly approved by the Honourable High Court of Karnataka vide its order dated 30 July 2012, effective 1 April 2011 the following adjustments were recorded in the consolidated financial statement of the Company as at 31 March 2013:

Particulars	**Amount in Rs. lacs**
Fair valuation adjustment of tangible fixed assets of EEG with a corresponding credit to Business Restructuring Reserve (BRR)	7,560
Reduction of securities premium with a credit to BRR	(200)
Cumulative incremental depreciation (for the year ended 31 March 2013: INR 793 lacs) on the fair value of tangible fixed assets as described above has been debited to "debit balance arising on consolidation"	1,586
BRR balance has been set off with the goodwill arising on consolidation to the extent of fair value adjustment of tangible fixed assets as described above	(7,560)

Section 6 (paragraph 6.1 to 6.11) of the said scheme specifies the accounting treatment and inter alia specifies that such accounting treatment would be reflected in the financial statement of the Group, prepared as per the Indian Generally Accepted Accounting Principles.

Had the Company alternatively followed the Accounting Standards, notified under the Companies Act, 1956, the goodwill arising on consolidation of Rs 6,788 lacs would have increased to Rs 14,348 lacs, tangible fixed assets of Rs 56,709 lacs would have reduced to Rs 50,735 lacs, debit balance arising on consolidation of Rs 1,386 lacs would have reduced to nil and securities premium of Rs 7,111 lacs would have increased to Rs 7,311 lacs.

43 Pursuant to a resolution passed in the Extraordinary General Meeting of shareholders dated 25 March 2013, amounts aggregating Rs 67,500,166 and Rs 57,499,994 (being 25% of the total value of warrants at the date of allotment) has been brought in by Mr Udayant Malhoutra in his capacity as Promoter and by Wavell Investments Private Limited, being a Promoter group company, towards subscription of 338,440 and 288,300 convertible warrants of Rs 797.78 each respectively. These warrants give the right to the warrantholders to subscribe for one equity share of Rs 10 each in the Company per warrant which is exercisable within 18 (eighteen) months from the date of allotment i.e. 26 March 2013.

44 Tax expense for the year ended 31 March 2013 include write down of deferred tax asset balance of Rs 1,035 lacs in a subsidiary, in the absence of virtual certainty of the same being realised in the future.

45 Pursuant to the Companies (Accounting standards) Amendment Rules, 2011, vide GSR 914(E) dated 29 December 2011, the Company has exercised the option of accumulating the exchange differences, in respect of accounting periods commencing from 1 April, 2011 on long term foreign currency monetary items. As a result, such exchange differences so far as they relate to the acquisition of non depreciable capital assets have been accumulated in "Foreign currency monetary item translation difference account" ("FCMITD account"), to be amortized over the balance period of such long term liability.

In accordance with the accounting treatment, the Company has debited an amount of Rs 144 lacs (previous year : Rs 285 lacs) on restatement of long term foreign currency monetary items to FCMITD account. Consequent to such transfer, the cumulative balance in FCMITD account aggregating Rs 393 lacs (previous year: 285 lacs) is being amortized over the period of the loan. Accordingly, an amount of Rs 86 lacs (previous year: Rs 36 lacs) has been debited to the statement of profit and loss.

B S R & Associates ★ BANGALORE 560 071 ★ CHARTERED ACCOUNTANTS

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

As per our report of even date attached

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

Sunil Gaggar
Partner
Membership number: 104315

Place: Bangalore
Date: 30 May 2013

for and on behalf of the Board of Directors of
Dynamatic Technologies Limited

Udayant Malhoutra
CEO and Managing Director

Vijai Kapur
Chairman

Hanuman Sharma
Chief Financial Officer

S. Govindarajan
Director

M. Sindhu
GM- Compliance, Legal
& Company Secretary

Place: Bangalore
Date: 30 May 2013

B S R & Associates
(Registered)
Chartered Accountants

Maruthi Info-Tech Centre
11-12/1 Inner Ring Road
Koramangala
Bangalore 560 071 India

Telephone +91 80 3980 6000
Fax +91 80 3980 6999

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

1. We have audited the attached consolidated balance sheet of Dynamatic Technologies Limited ('the Company') and subsidiaries (collectively called 'the Dynamatic Group') as at 31 March 2012, the consolidated statement of profit and loss and the consolidated cash flow statement collectively referred to 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 32.51 % of total assets, 67.09% of total revenues and other income and Rs 619 lacs net increase in cash and cash equivalents, 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 31.86 % of total assets and 66.81% of total revenues and other income and Rs 484 lacs net increase in cash and cash equivalents as shown in these consolidated financial statements. For purposes of preparation of the 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, insofar as it relates to these entities, is based solely on the report of these other auditors.

b. The financial statements and other financial information of another subsidiary incorporated outside India as drawn up in accordance with the financial reporting framework of the respective country have been audited by other auditor duly qualified to act as auditors in that country. This subsidiary accounts for 0.65% of total assets and 0.28% of total revenues and other income and (net increase) in cash and cash equivalents for the year is (Rs 135 lacs) as shown in these consolidated financial statements. The auditor's report on this subsidiary has been furnished to us by management and our opinion on the consolidated financial statements, in so far as it relates to this entity, is based solely on the report of the other auditor.

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. Without qualifying our opinion, we draw attention to note 42 of the consolidated financial statements of the Company, which sets out the basis of accounting selected by the Company in relation to the consolidation and restructuring exercise carried out at JKM Erla Automotive Limited (JKEAL), a subsidiary company. The Composite scheme of arrangement between JKEAL and its shareholder and creditors, which was approved by the Karnataka High Court on 30 July 2012, sets out the prescribed accounting treatment to effect the restructuring. Section 6 (paragraph 6.1 to 6.11) of the said scheme specifies the accounting treatment and inter alia specifies that such accounting treatment would be reflected in the financial statement of the Company, prepared as per the Indian Generally Accepted Accounting Principles.

   Had the Company alternatively followed the Accounting Standards, notified under the Companies Act, 1956, the goodwill arising on consolidation of Rs 6,788 lacs would have increased to Rs 14,348 lacs, the tangible fixed assets of Rs 53,490 lacs would have reduced to Rs 46,723 lacs, the debit balance arising on consolidation of Rs 593 lacs would have reduced to nil and the securities premium of Rs 7,111 lacs would have increased to Rs 7,311 lacs.

6. Based on our audit and to the best of our information and according to the explanations given to us and on consideration of reports of other auditors on separate financial statements, in our opinion the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

   a. in the case of the consolidated balance sheet, of the state of affairs of the Dynamatic Group as at 31 March 2012;

   b. in the case of the consolidated statement of profit and loss, 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

Sunil Gaggar
Partner
Membership No. 104315

Bangalore
3 August 2012

DYNAMATIC TECHNOLOGIES LIMITED
Consolidated balance sheet as at

(Rs. in lacs)

	Note	31 March 2012	31 March 2011
Equity and liabilities			
Shareholders' funds			
Share capital	3	541	541
Reserves and surplus	4	13,455	14,911
		13,996	15,452
Non- controlling interest (Preference capital)	4 (a)	3,295	-
		3,295	-
Non-current liabilities			
Long-term borrowings	5	46,624	16,349
Deferred tax liabilities (net)	6	2,869	2,696
Other long-term liabilities	7	2,640	404
Long-term provisions	8	48	69
		52,181	19,518
Current liabilities			
Short-term borrowings	9	17,494	11,753
Trade payables	10	23,976	7,452
Other current liabilities	11	14,455	9,125
Short-term provisions	12	3,143	820
		59,068	29,150
		128,540	64,120
Assets			
Non current assets			
Goodwill		6,788	3,201
		6,788	3,201
Fixed assets			
- Tangible assets	13	53,490	29,049
- Intangible assets	13	1,899	1,166
- Capital work in progress		10,428	4,386
- Intangible assets under development		447	862
		66,264	35,463
Non current investments	14	1	-
Deferred tax assets (net)	6	1,034	-
Long-term loans and advances	15	2,172	1,376
Other non-current assets	16	990	88
		4,197	1,464
Current assets			
Inventories	17	19,143	8,015
Trade receivables	18	24,629	11,785
Cash and cash equivalent	19	1,921	1,047
Short-term loan and advances	20	3,294	1,661
Other current assets	21	2,304	1,484
		51,291	23,992
		128,540	64,120
Significant accounting policies	2		

The notes referred to above form an integral part of the financial statements.

As per our report of even date attached

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

Sunil Gaggar
Partner
Membership No. 104315

Place: Bangalore
Date: 3 August 2012

for and on behalf of the Board of Directors of Dynamatic Technologies Limited

Dr. K. Aprameyan
Director

Air Chief Marshal S.Krishnaswamy (Retd.)
Director

S. Govindarajan
Director

Govind Mirchandani
Director

Malvika Jayaram
Director

Raymond Keith Lawton
Director

N. Rajagopal
Executive Director and CTO

B. Seshnath
Executive Director and CMO

V. Sunder
President and Group CFO

Udayant Malhoutra
CEO and Managing Director

N. Ram Mohan
Financial Controller

M. Sindhu
GM- Compliance, Legal & Company Secretary

Place: Bangalore
Date: 3 August 2012

DYNAMATIC TECHNOLOGIES LIMITED
Consolidated statement of profit and loss for the year ended

(Rs. in lacs)

	Note	31 March 2012	31 March 2011
Revenue from operations			
Sale of products (gross)		149,600	48,177
Less: excise duty		(4,458)	(3,048)
Sale of products (net)		145,142	45,129
Income from project execution services		4,573	4,366
Other operating revenues	22	1,138	631
		150,853	**50,126**
Other income	23	997	242
Total revenue		**151,850**	**50,368**
Expenses			
Cost of materials consumed	24	91,825	25,491
Change in inventory of finished goods and work-in-progress	25	731	(862)
Employee benefits expense	26	22,185	9,662
Finance costs	27	7,145	2,746
Depreciation	13	4,340	2,504
Other expenses	28	21,928	7,794
Total expenses		**148,154**	**47,335**
Profit before exceptional items and tax		**3,696**	**3,033**
Exceptional items	29	(175)	-
Profit before tax		**3,521**	**3,033**
Tax expense			
Current tax		1,388	629
Minimum alternative tax charge		89	-
Minimum alternative tax entitlement		(89)	(64)
Deferred tax		(331)	300
Profit after tax		**2,464**	**2,168**
Earning per equity share [nominal value of share Rs.10 each (previous year Rs.10 each)]			
Basic and diluted		45.51	40.04
Number of shares used in computing earnings per share			
Basic and diluted		5,414,703	5,414,703
Significant accounting policies	2		

The notes referred to above form an integral part of the financial statements.

As per our report of even date attached

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

Sunil Gaggar
Partner
Membership No. 104315

Place: Bangalore
Date: 3 August 2012

for and on behalf of the Board of Directors of Dynamatic Technologies Limited

Dr. K. Aprameyan
Director

Air Chief Marshal S.Krishnaswamy
Director

S. Govindarajan
Director

Govind Mirchandani
Director

Malvika Jayaram
Director

Raymond Keith Lawton
Director

N. Rajagopal
Executive Director and CTO

B. Seshnath
Executive Director and CMO

V. Sunder
President and Group CFO

Udayant Malhoutra
CEO and Managing Director

N. Ram Mohan
Financial Controller

M. Sindhu
GM- Compliance, Legal & Company Secretary

DYNAMATIC TECHNOLOGIES LIMITED

Cash Flow Statement for the year ended

	31 March 2012	(Rs. in lacs) 31 March 2011
Cash flow from operating activities		
Profit before tax	3,521	3,033
Adjustments:		
Depreciation and amortisation	4,340	2,504
Interest expense	7,145	2,746
Interest income	(124)	(35)
Debts / advances written off	160	194
Provision for bad and doubtful debts/ advances	206	(140)
Unrealised foreign exchange differences, net	251	136
Loss on sale of fixed asset, net	7	-
Amortisation of foreign currency monetary item translation difference account	36	79
Operating cash flow before working capital changes	**15,542**	**8,517**
Changes in trade receivables	(3,344)	(2,558)
Changes in short term and long term loans and advances and other current and non-current assets	(2,394)	(1,801)
Changes in inventories	(1,281)	(1,744)
Changes in trade payables and other current liabilities	7,152	2,519
Changes in short term and long term provisions	(3,490)	88
Adjustment for foreign exchange in operating activity	13,750	15
Cash generated from operations	**25,935**	**5,036**
Income taxes (paid)/ refunded	145	(497)
Net cash generated from operating activities (A)	**26,080**	**4,539**
Cash flows from investing activities		
Purchase of fixed assets	(13,953)	(10,428)
Payment of purchase consideration, net of cash acquired	(16,735)	-
Proceeds from sale of fixed assets	57	75
Purchase of investments	(1)	-
Interest received	124	35
Goodwill on consolidation	-	(179)
Net cash used in investing activities (B)	**(30,508)**	**(10,497)**
Cash flows from financing activities		
Proceeds of preference share capital issued by subsidiary	3,295	-
Proceeds from borrowings (long term and short term), net	9,209	7,861
Proceeds from public deposits (net)	(15)	103
Interest paid	(6,657)	(2,677)
Dividend paid including tax thereon	(631)	(559)
Net cash generated from financing activities (C)	**5,201**	**4,728**
Net increase/(decrease) in cash and cash equivalents (A + B +C)	**773**	**(1,230)**
Cash and cash equivalents at the beginning of the year	1,047	2,277
Effect of exchange rate changes on cash and cash equivalent	101	-
Cash and cash equivalents at the end of the year (refer note 19)	1,921	1,047

As per our report of even date attached

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

Sunil Gaggar
Partner
Membership No. 104315

for and on behalf of the Board of Directors of Dynamatic Technologies Limited

Dr. K. Aprameyan
Director

Air Chief Marshal S.Krishnaswamy (Retd.)
Director

S. Govindarajan
Director

Govind Mirchandani
Director

Malvika Jayaram
Director

Raymond Keith Lawton
Director

N. Rajagopal
Executive Director and CTO

B. Seshnath
Executive Director and CMO

V. Sunder
President and Group CFO

Udayant Malhoutra
CEO and Managing Director

N. Ram Mohan
Financial Controller

M. Sindhu
GM- Compliance, Legal & Company Secretary

Place: Bangalore
Date: 3 August 2012

DYNAMATIC TECHNOLOGIES LIMITED

1 Company overview

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.

2 Significant accounting policies

a. Basis of accounting and preparation of consolidated financial statements

The consolidated financial statements of Dynamatic Technologies Limited and subsidiaries (herein referred to 'the Group') 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 that have been revalued. GAAP comprises accounting standards notified 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 are presented in Indian rupees rounded of to the nearest lacs.

This is the first year of application of the revised Schedule VI to the Companies Act, 1956 for the preparation of the financial statements of the Group. The revised Schedule VI introduces some significant conceptual changes as well as new disclosures. These include classification of all assets and liabilities into current and non-current. The previous year figures have also undergone a significant reclassification to comply with the requirements of the revised Schedule VI.

b. Principles of consolidation

The consolidated financial statements include the results of the following subsidiaries:

Sl. no.	Subsidiaries	Country of incorporation	Effective group shareholding%
1	JKM Erla Automotive Limited	India	99.99
2	JKM Ferrotech Limited	India	99.99*
3	JKM Research Farm limited	India	99.99
4	JKM Global Pte Limited	Singapore	100
5	Dynamatic Limited	United Kingdom	100
6	Yew Tree Investments Limited	United Kingdom	100
7	JKM Erla Holdings GmbH	Germany	100*
8	Eisenwerk Erla GmbH	Germany	100*

* acquired on 1 April, 2011

DYNAMATIC TECHNOLOGIES LTD. * BANGALORE-58 *

B S R & Associates * BANGALORE 560 071 * CHARTERED ACCOUNTANTS

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 Group and its share in the post-acquisition increase/decrease in the reserves of the consolidated entities.

The excess/ deficit of cost to the Group 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 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 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. 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

Tangible fixed assets are stated at the cost (or revalued amounts, as the case may be) of acquisition or construction, less accumulated depreciation. All costs incurred in bringing the assets to its working condition for intended use have been capitalised.

The cost of an item of tangible fixed asset comprises its purchase price, including import duties and other non-refundable taxes or levies and any directly attributable cost of bringing the asset to its working condition for its intended use; any trade discounts and rebates are deducted in arriving at the purchase price.

The Group had revalued certain land, building, plant and machineries and electrical installations 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.

Borrowing costs directly attributable to the acquisition/ construction of the qualifying asset are capitalized as part of the cost of that asset. Other borrowing costs are recognized as an expense in the period in which they are incurred.

Exchange differences arising in respect of translation/settlement of long term foreign currency borrowings attributable to the acquisition of a depreciable asset are also included in the cost of the asset.

Tangible fixed assets under construction are disclosed as capital work-in-progress

DYNAMATIC TECHNOLOGIES LTD. * BANGALORE-58 *

B S R & Associates BANGALORE 560 071 CHARTERED ACCOUNTANTS

Leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets taken on finance lease are initially capitalized at fair value of the asset or present value of the minimum lease payments at the inception of the lease, whichever is lower. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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%

Freehold land is not depreciated. Assets individually costing Rs. 5,000 or less are fully depreciated in the year of purchase.

Depreciation is provided on a pro-rata basis i.e. from the date on which asset is ready for use or upto the date it is sold.

e. Intangibles and amortization

(i) Acquired intangible assets

Intangible assets that are acquired by the Group are measured initially at cost. After initial recognition, an intangible asset is carried at its cost less any accumulated amortization and any accumulated impairment loss.

Subsequent expenditure is capitalized only when it increases the future economic benefits from the specific asset to which it relates.

DYNAMATIC TECHNOLOGIES LTD. ★ BANGALORE-55 ★

B S R & Associates ★ BANGALORE 560 071 ★ CHARTERED ACCOUNTANTS

(ii) Internally generated intangible assets

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products or processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use the asset. The expenditure capitalized includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and directly attributable borrowing costs (in the same manner as in the case of tangible fixed assets). Other development expenditure is recognized in profit or loss as incurred.

Intangible assets are amortized in profit or loss over their estimated useful lives, from the date that they are available for use based on the expected pattern of consumption of economic benefits of the asset. Accordingly, at present, these are being amortized on straight line basis. In accordance with the applicable Accounting Standard, the Group follows a rebuttable presumption that the useful life of an intangible asset will not exceed ten years from the date when the asset is available for use. However, if there is persuasive evidence that the useful life of an intangible asset is longer than ten years, it is amortized over the best estimate of its useful life. Such intangible assets and intangible assets that are not yet available for use are tested annually for impairment.

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
Non-compete fees	10 years

f. Inventories

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

DYNAMATIC TECHNOLOGIES LTD. BANGALORE-58.

B S R & Associates BANGALORE 560 071 CHARTERED ACCOUNTANTS

g. Employee benefits

Short-term employee benefits
Employee benefits payable wholly within twelve months of receiving employee services are classified as short-term employee benefits. These benefits include salaries and wages, bonus and ex-gratia. The undiscounted amount of short-term employee benefits to be paid in exchange for employee services is recognized as an expense as the related service is rendered by employees.

Post employment benefits

Defined contribution plans
A defined contribution plan is a post-employment benefit plan under which an entity pays specified contributions to a separate entity and has no obligation to pay any further amounts. The Group makes specified monthly contributions towards employee provident fund to Government administered provident fund scheme and social security schemes in certain overseas subsidiaries which is a defined contribution plan. The Group's contribution is recognized as an expense in the statement of profit and loss during the period in which the employee renders the related service.

Defined benefit scheme
Gratuity and compensated absences 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 Group's gratuity scheme is administered by Life Insurance Corporation of India. Actuarial gain/(losses) are charged to the statement of profit and loss.

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 (cost to cost 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.

Export benefits are recognized in the statement of profit and loss account when the right to receive credit as per the terms of the entitlement is established in respect of exports made.

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

DYNAMATIC TECHNOLOGIES LTD. BANGALORE-58.

B S R & Associates BANGALORE 560 071 CHARTERED ACCOUNTANTS

i. Foreign currency transactions and balances

The reporting currency of the Group is Indian Rupee. The local currencies of the non-integral subsidiaries are different from the reporting currency of the Group.

The Group is exposed to currency fluctuations on foreign currency transactions. Transactions in foreign currency are recognized at the rate of exchange prevailing on the date of the transaction. Exchange difference arising on foreign exchange transactions settled during the year is recognized in the statement of profit and loss for the year.

All monetary assets and liabilities denominated in foreign currency are restated at the rates existing at the year end and the exchange gains/losses arising from the restatement are recognized in the statement of profit and loss, except exchange differences on long term foreign currency monetary items that are related to acquisition of depreciable assets are adjusted in the carrying amount of the related fixed assets and exchange differences arising on other long-term foreign currency monetary items are accumulated in 'Foreign Currency Monetary Item Translation Difference Account' (FCMITDA), and are amortized over the balance period of the relevant foreign currency item.

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 nonmonetary are translated using the year-end rates.
- Share capital and opening reserves and surplus are carried at historical cost.
- Revenue and expenses 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. Derivative instruments and Hedge accounting

The Group is exposed to foreign currency fluctuations on foreign currency assets, liabilities, firm commitments and highly probable forecasted transactions denominated in foreign currency. The Group limits the effects of foreign exchange rate fluctuations by following its risk management policies. In accordance with its risk management policies and procedures, the Group uses derivative instruments such as foreign currency forward contracts, options and swaps to hedge its risks associated with foreign currency fluctuations. The Group enters into derivative financial instruments, where the counterparty is a bank.

The Group has applied the principles of AS 30 'Financial Instruments: Recognition and Measurement', to the extent that the application of the principles does not conflict with existing accounting standards and other authoritative pronouncements of the Company Law Board and other regulatory requirements.

DYNAMATIC TECHNOLOGIES LTD. * BANGALORE-58 *

B S R & Associates * BANGALORE 560 071 * CHARTERED ACCOUNTANTS

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 "hedge reserve" to the extent considered 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 statement of profit and loss.

It is the policy of the Group to enter into derivative contracts to hedge the risk of foreign exchange rate fluctuation and interest rate risks related to the loan liabilities. The derivative arrangements are co-terminus with the loan agreement and it is the intention of the Group not to foreclose such arrangements during the tenure of the loan. Accordingly the Group designates and applies cash flow hedge accounting on such types of arrangements.

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 "hedge reserve" is retained until the forecasted transaction occurs subsequent to which the same is adjusted against the related transaction in statement of profit and loss. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in shareholder's fund is transferred to statement of profit and loss in the same period.

The fair value of derivative instruments is determined based on observable market inputs and estimates including currency spot and forward rates, yield curves and currency volatility.

k. Warranties

Warranty cost is estimated by the Management on the basis of technical evaluation and past experience. The Group accrues the estimated cost of warranties at the time when the revenue is recognised.

l. 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. However, that part of long term investments which is expected to be realized within 12 months after the reporting date is also presented under 'current assets' as "current portion of long term investments" in consonance with the current–non-current classification scheme of revised Schedule VI.

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.

DYNAMATIC TECHNOLOGIES LTD. BANGALORE-58.

B S R & Associates BANGALORE 560 071 CHARTERED ACCOUNTANTS

m. Provisions and contingencies

The Group 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.

n. Impairment of assets

The Group 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 Group 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 statement of profit and loss. 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.

o. Goodwill

Any excess of the cost to the parent of its investment in a subsidiary over the parent's portion of equity of the subsidiary, at the date on which investment in the subsidiary is made, is recorded as goodwill arising on consolidation.

Goodwill arising on consolidation/acquisition of assets is not amortised. It is tested for impairment on a periodic basis and written off, if found impaired.

DYNAMATIC TECHNOLOGIES LTD. * BANGALORE-58. *

B S R & Associates * BANGALORE 560 071 * CHARTERED ACCOUNTANTS *

p. Leases

Leases under which the Group 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.

Minimum Alternate Tax ('MAT') paid in accordance with the laws, which gives rise to future economic benefits in the form of tax credit against future income tax liability, is recognized as an asset in the balance sheet if there is convincing evidence that the Group will pay normal tax in near future.

The Group 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 Group 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

DYNAMATIC TECHNOLOGIES LTD. BANGALORE-56.

B S R & Associates BANGALORE 560071 CHARTERED ACCOUNTANTS

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 operating, investing and financing activities of the Group are segregated.

DYNAMATIC TECHNOLOGIES LTD. BANGALORE-58.

B S R & Associates BANGALORE 560 071 CHARTERED ACCOUNTANTS

DYNAMATIC TECHNOLOGIES LIMITED
Notes forming part of the consolidated financial statements

	As at 31 March 2012	(Rs. in lacs) As at 31 March 2011
3. Share capital		
Authorised		
Equity shares		
20,000,000 (previous year 20,000,000) equity shares of Rs.10 each	2,000	2,000
Preference shares		
500,000 (previous year 500,000) redeemable cumulative preference shares of Rs. 100 each	500	500
	2,500	**2,500**
Issued, subscribed and fully paid up		
Equity shares		
5,414,703 (previous year 5,414,703) equity shares of Rs.10 each	541	541
	541	**541**

Reconciliation of shares outstanding at the beginning and at the end of the year:

Particulars	31 March 2012 Number of shares	31 March 2012 Amount (Rs in lacs)	31 March 2011 Number of shares	31 March 2011 Amount (Rs in lacs)
Shares outstanding at the beginning of the year	5,414,703	541	5,414,703	541
Shares outstanding at the end of the year	5,414,703	541	5,414,703	541

Rights, preferences and restrictions attached to equity shares:
The Company has a single class of equity shares. Accordingly, all equity shares rank equally with regard to dividends and share in the company's residual assets. The equity shares are entitled to receive dividend as declared from time to time. The voting rights of an equity shareholder on a poll (not on show of hands) are in proportion to its share of the paid-up equity capital of the Company.
In the event of liquidation of the Company, the holders of equity shares will be entitled to receive any of the remaining asset of the Company after distribution of all preferential amounts, if any. The distribution will be in proportion to the number of equity shares held by the shareholders.

Details of equity shares allotted as fully paid-up without payment being received in cash during the period of five years immediately preceding the balance sheet date is give below:

Particulars	31 March 2011	31 March 2010	31 March 2009	31 March 2008	31 March 2007
Class of shares (Equity)					
No of shares issued	-	-	-	617,143	-

Details of equity shares allotted as fully paid-up bonus shares during the period of five years immediately preceding the balance sheet date is give below:

Particulars	31 March 2011	31 March 2010	31 March 2009	31 March 2008	31 March 2007
Class of shares (Equity)					
No of shares issued	-	-	-	1,048,390	1,048,390

During the year 2007-2008 1,048,390 and year 2006-2007 1,048,390 shares were allotted by way of bonus shares by capitalization of securities premium and capital redemption reserve.

Particulars of shareholders holding more than 5% equity shares are given below:

Particulars	31 March 2012 Number	31 March 2012 % of total share	31 March 2011 Number	31 March 2011 % of total share
Equity shares of Rs.10 each fully paid-up held by				
-Udayant Malhoutra	902,728	16.67%	963,578	17.80%
-JKM Holdings Private Limited	907,415	16.76%	803,135	14.83%
-Udayant Malhoutra and Company Private Limited	642,011	11.86%	676,761	12.50%
-JKM Offshore India Private Limited	442,071	8.16%	434,769	8.03%
-Samena Special Situations Mauritius	427,289	7.89%	110,485	2.04%
-FID Funds (Mauritius) Limited	391,908	7.24%	508,715	9.40%
-Citigroup Global Markets Mauritius Private Limited	373,327	6.89%	373,327	6.89%

The Company has not bought back any shares during the period of five years immediately preceding the balance sheet date.

DYNAMATIC TECHNOLOGIES LIMITED

Notes forming part of the consolidated financial statements

	As at 31 March 2012	(Rs. in lacs) As at 31 March 2011
4. Reserves and surplus		
Capital reserves		
At the commencement and at the end of the year	15	15
	15	**15**
Capital redemption reserve		
At the commencement and at the end of the year	240	240
	240	**240**
Securities premium account		
At the commencement and at the end of the year	7,311	7,311
Less: Transfer to Business Restructuring Reserves (refer note 42)	(200)	-
At the end of the year	**7,111**	**7,311**
Hedge reserve		
At the commencement of the year	(275)	(121)
Add: Additions during the year	(2,431)	(154)
At the end of the year (refer note 37)	**(2,706)**	**(275)**
Business restructuring reserve (BRR)		
At the beginning of the year	-	-
Additions during the year (refer note 42)	7,560	-
Adjusted with goodwill (refer note 42)	(7,560)	-
Add: transfer from securities premium account (refer note 42)	200	-
Less: adjustment on account of depreciaiton on fair value of asset (refer note 42)	(200)	
At the end of the year	-	-
Reserve on amalgamation		
At the commencement and at the end of the year	154	154
	154	**154**
Revaluation reserve		
At the commencement of the year	2,020	167
Add: Additions during the year	-	1,856
Less: Additional depreciation charged on revalued assets	(3)	(3)
At the end of the year	**2,017**	**2,020**
General reserve		
At the commencement of the year	2,993	2,845
Amount transferred from profit and loss balance	17	148
At the end of the year	**3,010**	**2,993**
Subsidy received		
At the commencement and at the end of the year	25	25
	25	**25**
Debit balance arising on consolidation		
At the commencement of the year	-	-
Depreciation on fair valuation of fixed assets	(793)	-
Transfer to BRR	200	-
At the end of the year	**(593)**	-
Surplus in the statement of profit and loss balance		
At the commencement of the year	3,561	2,172
Profit for the year	2,464	2,168
Appropriations		
- Interim dividend [amount Rs. 6 per share (previous year Rs. 6 per share)]	(325)	(325)
- Proposed dividend [amount Rs. 2 per share (previous year Rs. 4 per share)]	(108)	(217)
- Tax on dividend	(72)	(89)
- Transfer to general reserves	(17)	(148)
At the end of the year	**5,503**	**3,561**
Foreign currency translation reserve		
At the beginning of the year	(1,133)	(1,285)
Additions during the year	61	152
At the end of the year	**(1,072)**	**(1,133)**
Foreign currency monetary item translation difference account		
At the beginning of the year	-	-
Exchange loss arising on account of reinstatement of loan	(285)	-
Amount amortised during the year to statement of profit and loss	36	-
At the end of the year	**(249)**	-
	13,455	**14,911**

DYNAMATIC TECHNOLOGIES LTD. BANGALORE-58.

B S R & Associates BANGALORE 560 071 CHARTERED ACCOUNTANTS

DYNAMATIC TECHNOLOGIES LIMITED
Notes forming part of the consolidated financial statements

(Rs. in lacs)

4 (a) Non- controlling interest (Preference capital)	As at 31 March 2012	As at 31 March 2011
Issued, subscribed and fully Paid up		
Preference shares issued by a subsidiary		
2,636,000 (previous year: nil) 0.01% redeemable non-cumulative preference shares of Rs 10 each with securities premium of Rs.115 per share	3,295	-
	3,295	-

i) Reconciliation of shares outstanding at the beginning and at the end of the year:

	31 March 2012		31 March 2011	
	Number	Amount	Number	Amount
(a) 0.01% Non-cumulative redeemable preference shares of Rs 10 each				
At the commencement of the period	-	-	-	-
Shares issued during the year	2,636,000	3,295	-	-
At the end of the period	2,636,000	3,295	-	-

iii)Particulars of shareholders holding more than 5% shares of a class of shares

	31 March 2012		31 March 2011	
	Number	% of total shares	Number	% of total shares
0.01% Non-cumulative redeemable preference shares of Rs 10 each held by				
SHL Trading Limited	2,636,000	100%	-	-

Rights, preferences and restrictions attached to preference shares
0.01% redeemable, non-cumulative preference shares [NCRPS] of Rs 10 each were placed with SHL Trading Limited on June 8, 2011 at a premium of Rs 115 per share. These shares may be redeemed, in whole or in part, at the option of the Company or the holder at any time on or after 18 months from the date of allotment at a price based on various market conditions. The holders of these shares are entitled to a non-cumulative dividend of 0.01% on face value of the NCRPS.

Preference shares carry a preferential right as to dividend over equity shareholders of JKM Erla Automotive Limited. In the event of liquidation, preference shareholders have a preferential right over equity shareholders of JKM Erla Automotive Limited to be repaid to the extent of capital paid-up and dividend in arrears on such shares.

DYNAMATIC TECHNOLOGIES LTD. * BANGALORE-58 *

B S R & Associates * BANGALORE 560071 * CHARTERED ACCOUNTANTS

	As at 31 March 2012	As at 31 March 2011
5. Long-term borrowings		
Secured		
Term loans		
- From bank @	39,216	15,296
- Financial institutions @@	1,701	-
- from others *	442	528
Unsecured		
Term loans		
-From bank @@@	692	-
-From others @@@@	4,149	
Deferred payment liability		
- Sales tax deferral loan **	260	346
Deposits from shareholders ***	3	20
Deposits from others #	161	159
	46,624	16,349

@
(Including current maturities of the long term borrowings shown under other current liabilities)

Details of repayment terms, interest and maturity	Nature of security
Term loan from bank aggregating Rs.6,526 lacs (previous year Rs. 7,043 lacs) repayable in 12-14 quarterly instalments. The rate of interest ranges from 14% - 14.15% per annum.	First pari passu charge on the entire moveable and immovable fixed assets of the Company, present and future (other than those exclusively charged). Second pari passu charge on the entire current assets of the Company, present and future.
Term loan from bank aggregating Rs.324 lacs (previous year Rs. 534 lacs) repayable in 5 quarterly instalments. The rate of interest is 6 months Libor + 2.75% per annum.	
Term loan from bank aggregating Rs.5,500 lacs (previous year Rs. Nil) repayable after moratorium period of 2 years, in 60 monthly instalments. The rate of interest ranges from 14% - 14.75% per annum.	
Term loan from bank aggregating Rs. 1,500 lacs (previous year Rs. nil) repayable after moratorium period of 2 years, in 20 quarterly instalments. The rate of interest is 12% per annum.	
Term loan from bank aggregating Rs. 2,300 (previous year Rs. 2,331 lacs) repayable in 16 quarterly instalments. The rate of interest is 13.75% per annum.	
Term loan from bank aggregating Rs. 155 lacs (previous year Rs. 919 lacs) repayable in 16 quarterly instalments. The rate of interest ranges from 6.75% - 7.1% per annum.	
Term loan from bank amounting to Rs. 3,256 lacs (previous year Rs. 3,112 lacs) repayable in 16 quarterly instalments. The rate of interest is 9.83% per annum.	
Term loan from bank amounting to Rs. 1,999 lacs (previous year Rs. 2,628 lacs) repayable in 8 halfyearly instalments. The rate of interest is 9.83% per annum.	
Term loan from bank aggregating Rs. Nil (previous year Rs. 24 lacs) repayable in 42 monthly instalments. The rate of interest is 9.25% per annum.	
Term loan from bank aggregating Rs. Nil (previous year Rs. 9 lacs).	
Term loan from banks aggregating Rs. 2,486 lacs (previous year Rs. 2,914 lacs) repayable in 5 equal yearly instalments. The rate of Interest is 3.5% + LIBOR.	The Security provided consists of a debenture over Dynamatic Limited and Yew Tree Investments Ltd, together with a share pledge over Dynamatic Limited, JKM Globasl PTE Limited and Yew Tree Investments and Dynamtic Technologies Limited and corporate guarantees from Dynamtic Technologies Limited, JKM Global PTE Limited and Yew Tree Investments.

DYNAMATIC TECHNOLOGIES LTD. * BANGALORE-58. *

B S R & Associates * BANGALORE 560 071 * CHARTERED ACCOUNTANTS

DYNAMATIC TECHNOLOGIES LIMITED

Notes forming part of the consolidated financial statements

Details of repayment terms, interest and maturity	Nature of security
Term loan from banks aggregating Rs. 6,917 lacs (previous year Rs. Nil) repayable at the end of 2 years from the final drawdown with rate interest of Libor + 2.50% per annum.	Corporate guarantee of Dynamatic Technologies Limited and JKM ERLA Automotive Limited.
Term loan from banks aggregating Rs. 2,276 lacs (previous year Rs. Nil) repayable in 6 half yearly instalments after moratorium period of 3 years. The rate of interest is Libor + 3.00% per annum.	The term loan is secured by first pari passu charge on the fixed assets of JKM Erla Automotive Limited and corporate guarantee of Dynamatic Technologies Limited, holding company.
Term loan from banks aggregating to Rs. 2,421 lacs (previous year Rs. Nil) repayable in 3 yearly instalments.The rate of interest is Libor plus 3.50% per annum ie., 6.97% per annum.	The term loan is secured by corporate guarantee of Dynamatic Technologies Limited.
Term loan from banks aggregating Rs. 2,524 lacs (previous year Rs. Nil) repayable in 6 half yearly instalments, after moratorium period of 36 months. The rate of interest is LIBOR + 3.50% per annum, ie. 8.77% per annum.	
Term loan from banks aggregating Rs. 469 lacs (previous year Rs. Nil lacs) repayable in 28 quarterly instalments. The rate of interest is 6.75% per annum.	The term loan is secured by charge on land and machineries (other than those exclusively charged).
Term loan from banks aggregating Rs. 324 lacs repayable in 32 quarterly instalments. The interest of rate is 5.50% per annum.	
Term loan from banks aggregating Rs. 968 lacs (previous year Rs. Nil) repayable in 24 quartely instalments. The rate of interest is 5.65% per annum.	
Term loan from banks aggregating Rs. 415 lacs (previous year Rs. Nil) repayable in 16 half yearly instalments. The rate of interest is 3.5% per annum.	
Term loan from banks aggregating Rs. 903 lacs (previous year Rs. Nil) repayable in 60 monthly instalments. The rate of interest is 5.42% per annum.	Secured by way of exclusive charge on assets financed by them.
Term loan aggregating Rs. 4,083 lacs is repayable in 24 quarterly instalments. The rate of interest ranges from 11% - 13.55% per annum.	Secured, ranking pari passu , by way of first charge on present and future fixed assets and second charge on current assets
Term loan aggregating Rs.1,500 lacs is repayable in 60 monthly instalments. The rate of interest is 6 months base rate + 4% per annum.	

@@

(Including current maturities of the long term borrowings shown under other current liabilities)

Details of repayment terms, interest and maturity	Nature of security
Term loan from financial institutions aggregating to Rs. 619 lacs (previous year: Rs. Nil) repayable in 59 monthly instalments. The rate of interest is 14% per annum.	Secured by way of exclusive charge on assets financed by them. Personal Gurantee of CEO & Managing Director provided till no objection certificates received from lenders.
Term loan from financial institutions aggregating to Rs. 1,389 lacs (previous year nil) repayable in 60 monthly instalments. The rate of interest is 9.67% per annum	Exclusive charge of GECSI on assets (as approved by GECSI) financed from the GE loan in accordance with deed of hypothecation.

DYNAMATIC TECHNOLOGIES LTD. BANGALORE-58.

B S R & Associates BANGALORE 560 071 CHARTERED ACCOUNTANTS

DYNAMATIC TECHNOLOGIES LIMITED
Notes forming part of the consolidated financial statements

Vehicle loans are secured against the respective vehicles.
* Secured by hypothecation of vehicle. The amount is payable in 36-48 monthly installments from the date of purchase. The rate of interest for the outstanding vehicle loan ranges from 9.75% p.a to 11.50% p.a.

Deferred payment liability
* Deferred payment liability relates to machinery purchased is secured by way of a first charge on the said machinery. The amount is payable in 60 monthly instalments from the date of purchase.

@@@
Term loan from banks aggregating Rs. 692 lacs (previous year Rs Nil) repayable in 6 half yearly instalments. The interest of rate is 3.35% per annum.
@@@@
Term loan from others aggregating Rs 4,149 lacs (previous year Rs Nil) is repayable in one installment. The rate of interest is 7.8% per annum.

Deferred payment liability towards sales tax loan
** To promote the industries in backward area (i.e. @ Irrungattukkottai) Government of Tamil Nadu, announced a sales tax loan facility. To avail the facility, the Company has entered into an agreement with the Sales tax department. for deferring payment of sales tax collected during financial year 2001-02 to 2005-06. The deferred amount will be repaid by 2014-15. The amount repayable in 2012-13 is Rs. 186 lacs and accordingly disclosed as other current liability.

*** Deposits from shareholders carry interest rate in the range 10-11 % and are repayable within 1- 3 years from respective date of deposit.
# Deposits from others carry interest rate in the range 10-11 % and are repayable within 1- 3 years from respective date of deposit.

		(Rs. in lacs)
	As at 31 March 2012	**As at 31 March 2011**
6. Deferred tax liabilities (net)		
Deferred tax liabilities		
Fixed assets	4,032	2,805
	4,032	**2,805**
Deferred tax assets		
Gratuity and compensated absences	75	66
Provision for bad and doubtful debts	81	26
Disallowance under section 40(a) / 43B of income tax act, 1961	-	17
Brought forward losses	2,041	-
	2,197	**109**
Deferred tax liabilities (net)	**1,835**	**2,696**
The Net DTA/ (DTL) of Rs 1,835 lacs has the following breakdown:		
Deferred tax assets	1,034	-
Deferred tax liabilities	2,869	2,696
Deferred tax liabilities (net)	**1,835**	**2,696**
7. Other long term liabilities		
Advance from customer	102	184
Derivative liabilities (refer note 37)	2,409	190
Others	129	30
	2,640	**404**
8. Long-term provision		
Provision for employee benefit		
Gratuity (refer note 33)	48	69
	48	**69**

DYNAMATIC TECHNOLOGIES LTD. * BANGALORE-58 *

B S R & Associates * BANGALORE 560 071 * CHARTERED ACCOUNTANTS

	As at 31 March 2012	(Rs. in lacs) As at 31 March 2011
9. Short term borrowings		
Secured		
Loans repayable on demand		
Cash credit *	14,078	10,254
Unsecured		
- from banks		
Foreign currency buyer's credit **	776	1,499
Vendor bill discounting #	2,590	-
Borrowings from shareholder, JKM Holding Private Limited ##	50	-
	17,494	11,753

* Cash credit from banks carry interest ranging between 10.50% - 15.25% p.a., computed on a monthly basis on the actual amount utilized, and are repayable on demand. These are secured by pari passu charge by way of hypothecation of stock and book debts of the Company.

** The Company has taken foreign currency buyer's credit, which carry interest ranging between 2.55% - 4.25% p.a and are renewable at 6 monthly rest for a maximum of three years.

The Company has availed vendor bill discounting facility from banks which carry interest between 12% - 14.50% p.a.., and is payable within 90 days from date of bill discounted.

The Company has taken inter corporate loan from JKM Holdings Private Limited, which carry interest @ 14.75% p.a. and is repayable on 15 April 2012.

	As at 31 March 2012	As at 31 March 2011
10. Trade payables		
Due to micro and small enterprises	-	-
Dues to creditors other than micro and small enterprises	19,923	4,559
Acceptances	4,053	2,893
	23,976	7,452

	As at 31 March 2012	As at 31 March 2011
11. Other current liabilities		
Current maturities of long-term debt (refer note 5)	8,717	5,118
Capital creditors	783	1,799
Accrued expenses	914	456
Interest accrued but not due on borrowings	758	270
Employee related liabilities	1,344	399
Acceptances for capital goods	-	222
Advance from customer	662	180
Dealer deposits	60	45
Unpaid dividend	30	30
Statutory liabilities	812	512
Derivative liabilities (refer note 37)	297	85
Other liability	78	9
	14,455	9,125

DYNAMATIC TECHNOLOGIES LTD. BANGALORE

B S R & Associates BANGALORE 560 071 CHARTERED ACCOUNTANTS

DYNAMATIC TECHNOLOGIES LIMITED
Notes forming part of the consolidated financial statements

	As at 31 March 2012	(Rs. in lacs) As at 31 March 2011
12. Short-term provisions		
Compensated absences	264	162
Warranties (refer note 34)	457	58
Proposed equity dividend [including tax thereon Rs 17 lacs (previous year Rs 35 lacs)]	126	252
Taxation	2,117	348
Provision for onerous contracts	69	-
Others	110	-
	3,143	**820**

DYNAMATIC TECHNOLOGIES LTD. * BANGALORE-58. *

B S R & Associates * CHARTERED ACCOUNTANTS * BANGALORE 560 071

DYNAMATIC TECHNOLOGIES LIMITED
Schedules to the consolidated balance sheet (continued)

13. Fixed assets

(Rs in lakhs)

	Gross block									Accumulated depreciation						Net block	
	As at 1 April 2011	Assets acquired on Acquisition	Fair value adjustment	Additions*	Exchange differences	Borrowing costs	Total Additions	Deletions/ adjustments	As at 31 March 2012	As at 1 April 2011	Charge for the year	Adjustment due to revaluations	Depreciaton on fair valuation	Deletions/ adjustments	As at 31 March 2012	As at 31 March 2012	As at 31 March 2011
Tangible assets (owned)																	
Land	4,343	511	7	255	-	-	255	-	5,116	-	-	-	-	-	-	5,116	4,343
Buildings	6,114	5,989	2,151	1,047	19	-	1,066	64	15,256	853	729	3	75	64	1,596	13,660	5,261
Plant and machinery	27,835	5,458	5,156	6,802	79	32	6,913	73	45,289	11,703	4,327	-	659	66	16,623	28,666	16,132
Measuring instruments	256	-	-	120	1	-	121	-	377	117	13	-	-	-	130	247	139
Electrical installations	808	1,267	-	44	3	-	47	-	2,122	213	192	-	-	-	405	1,717	595
Data processing equipment	867	-	-	169	4	-	173	22	1,018	679	132	-	-	14	797	221	188
Office equipment	387	735	225	481	-	-	481	15	1,813	218	239	-	56	13	500	1,313	169
Furniture and fixtures	373	-	-	31	-	-	31	1	403	189	73	-	-	1	261	142	184
Tools, dies and moulds	1,812	48	15	519	9	1	529	-	2,404	686	253	-	2	-	941	1,463	1,126
Vehicles	730	10	6	138	-	-	138	85	799	199	75	-	1	39	236	563	531
Motor boat	381	-	-	21	-	-	21	-	402	-	20	-	-	-	20	382	381
Total tangible assets (A)	43,906	14,018	7,560	9,627	115	33	9,775	260	74,999	14,857	6,053	3	793	197	21,509	53,490	29,049
Intangible assets, owned																	
Application software	454	77	-	175	5	-	180	2	709	363	102	-	-	1	464	245	91
Prototype development	854	-	-	801	-	58	859	-	1,713	146	163	-	-	-	309	1,404	708
Non compete fee	735	-	-	101	-	-	101	-	836	368	218	-	-	-	586	250	367
Total intangible assets (B)	2,043	77	-	1,077	5	58	1,140	2	3,258	877	483	-	-	1	1,359	1,899	1,166
Total	45,949	14,095	7,560	10,704	120	91	10,915	262	78,257	15,734	6,536	3	793	198	22,868	55,389	30,215
Previous year	37,928	-	-	8,097	34	35	8,166	145	45,949	13,075	2,726	3	-	70	15,734	30,215	-

Depreciation for the year is reflected as follows:	2012	2011
Depreciation as per Profit and loss account	4,340	2,504
Depreciation capitalised for intangible assets (included in CWIP thereof)	46	38
Translation adjustment	2,150	-
	6,536	2,542

DYNAMATIC TECHNOLOGIES LTD. * BANGALORE-58 *

B S R & Associates * BANGALORE 560 071 * CHARTERED ACCOUNTANTS

DYNAMATIC TECHNOLOGIES LIMITED
Notes forming part of the consolidated financial statements

	As at 31 March 2012	As at 31 March 2011
		(Rs. in lacs)
14. Non-current investments		
(valued at cost unless stated otherwise)		
Other than trade investments #		
Investment in equity instruments		
a) Investment in other entities - unquoted		
1) 5,000 (previous year - Nil) equity shares of Rs.10 each of Harasfara Design Private Limited	1	-
2) 921,530 (previous year 921,530) equity shares of Rs.10 each of Murablack (India) Limited	92	92
Provision for diminution in value	(92)	(92)
	1	-
	1	-
Aggregate book value of unquoted investments	1	-
15. Long term loans and advances		
Other loans and advances		
Unsecured, considered good		
Capital advances	1,101	812
Security deposits	610	296
Adances to supplier	46	85
Cenvat receivable	85	-
Advance tax	330	183
	2,172	1,376
16. Other non-current assets		
Other bank balances		
Bank deposits with more than 12 months maturity	36	27
Unpaid dividend account	30	30
Derivative asset (refer note 37)	520	-
Prepaid expenses	404	31
	990	88

DYNAMATIC TECHNOLOGIES LTD. BANGALORE-80

B S R & Associates BANGALORE 560 071 CHARTERED ACCOUNTANTS

DYNAMATIC TECHNOLOGIES LIMITED

Notes forming part of the consolidated financial statements

(Rs. in lacs)

	As at 31 March 2012	As at 31 March 2011
17. Inventories		
(Valued at lower of cost and net realizable value)		
Raw materials	6,961	4,268
Work-in-progress	9,231	2,038
Finished goods	1,615	1,125
Stores and spares	1,336	584
	19,143	8,015
18. Trade receivables		
Unsecured		
Outstanding for period exceeding six months		
- Considered good	1,253	1,133
- Considered doubtful	300	94
Other debts		
- Considered good	23,376	10,652
	24,929	11,879
Less: Provision for doubtful receivables	(300)	(94)
	24,629	11,785
19. Cash and cash equivalents		
Cash on hand	10	4
Balance with current accounts	1,911	1,043
	1,921	1,047
20. Short term loan and advances		
Loans and advances		
Unsecured, considered good		
Adances to supplier	476	504
Cenvat receivable	1,870	598
Security deposits	211	-
VAT receivable	198	179
Loans to employees	34	40
MAT credit entitlement	394	305
Others	111	35
	3,294	1,661
21. Other current assets		
Margin money deposit	406	449
Derivative asset (refer note 37)	339	-
Unbilled revenue	762	716
Prepaid expenses	677	288
Export incentives receivable	98	-
Others	22	31
	2,304	1,484

DYNAMATIC TECHNOLOGIES LTD. ★ BANGALORE-58 ★

B S R & Associates ★ BANGALORE 560 071 ★ CHARTERED ACCOUNTANTS

DYNAMATIC TECHNOLOGIES LIMITED
Notes forming part of the consolidated financial statements

	For the year ended 31 March 2012	(Rs. in lacs) For the year ended 31 March 2011
22. Other operating revenues		
Service income	-	10
Scrap sales	1,138	621
	1,138	**631**
23. Other income		
Interest income from bank deposits	124	35
Export incentives	108	-
Provision no longer required writen back	698	-
Exchange gain, net	-	174
Miscellaneous income	67	33
	997	**242**
24. Cost of materials consumed		
Raw materials and packing materials consumed*		
Inventory of materials at the beginning of the year	4,268	3,321
Add: purchases	94,518	26,438
Less: closing stock	6,961	4,268
	91,825	**25,491**
(* the consumption disclosed is based on the derived figures rather than actual records of issue)		
25. Changes in inventory of finished goods and work-in-progress		
Opening stock		
- Finished goods*	1,902	1,225
- Work-in-progress*	9,675	1,076
	11,577	2,301
Closing stock		
- Finished goods	1,615	1,125
- Work-in-progress	9,231	2,038
	10,846	3,163
	731	**(862)**

* include Rs 777 lacs (Finished goods) and Rs 7,637 lacs (work in progress) acquired on business acquisition.

DYNAMATIC TECHNOLOGIES LIMITED
Notes forming part of the consolidated financial statements

	For the year ended 31 March 2012	(Rs. in lacs) For the year ended 31 March 2011
26. Employee benefits expense		
Salaries, wages and bonus	18,780	8,633
Contribution to provident fund and other funds	1,531	444
Workmen and staff welfare expenses	1,874	585
	22,185	9,662
27. Finance cost		
Interest expense	6,769	2,498
Bank charges	376	248
	7,145	2,746
28. Other expense		
Consumption of stores, loose tools and spare parts	4,531	1,715
Power and fuel	6,581	918
Rent	899	547
Repairs and maintenance:		
- buildings	301	82
- plant and machinery	1,597	513
- others	1,000	497
Rates and taxes	255	196
Insurance	560	229
Traveling and conveyance	985	634
Communication	172	109
Legal and professional	1,178	332
Auditor's remunaration	115	116
Cash discount	375	29
Freight outward	1,280	800
Sales promotion and advertisement	97	96
Foreign exchange loss (net)	313	83
Warranty and replacement expenses	115	70
Provision for doubtful debts (net)	174	74
Bad debts written off	160	194
Printing and stationery	136	79
Security charges	98	77
Packing expenses	182	102
Directors sitting fees	11	13
Sales commission	231	12
Membership and subscriptions	44	-
Miscellaneous expenses	538	277
	21,928	7,794
29. Exceptional items		
Expenses incurred to acquire a foreign subsidiary*		
- Professional charges	69	-
- Travelling	67	-
- Others	39	-
	175	-

*Pertains to various expenses incurred by the Company such as professional and other ancillary charges towards acquisition of shares of Eisenwerk Erla GmbH, Germany, through its subsidiary, which do not qualify for cost of investment as envisaged in Accounting Standard (AS) 13 -'Accounting for Investments'.

DYNAMATIC TECHNOLOGIES LTD. * BANGALORE-58. *

B S R & Associates * BANGALORE 560 071 * CHARTERED ACCOUNTANTS

30 Capital commitments

(Amount in Rs lacs)

Particulars	As at 31 March 2012	As at 31 March 2011
Estimated amount of contracts to be executed on capital account (net of advances) and not provided for	1,363	1,448

There are no other material capital commitments.

31 Contingent liabilities

The details of contingent liabilities are as under:

(Amount in Rs. lacs)

Particulars	As at 31 March 2012	As at 31 March 2011
Financial guarantee	19,423	7,570

32 Lease transactions

a) The Company is obligated under cancelable operating leases for office, residential facilities and vehicles. Lease rental expense under operating leases during the year was Rs 319 lacs (previous year Rs 547 lacs).

b) The Company is obligated under non-cancelable operating leases for plant and machinery. Lease rental expense under non cancellable operating leases during the year was Rs 580 lacs (previous year Rs Nil):

(Amount in Rs lacs)

Particulars	As at 31 March 2012	As at 31 March 2011
Payable within one year	820	-
Payable within one and five years	1,923	-

DYNAMATIC TECHNOLOGIES LTD. BANGALORE-58.

B S R & Associates BANGALORE 560 071 CHARTERED ACCOUNTANTS

33 Gratuity plan

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

(Amount in Rs lacs)

Change in defined benefit obligation	**As at 31 March 2012**	**As at 31 March 2011**
Opening defined benefit obligation	661	508
Additions due to acquisition	14	-
Current service cost	70	156
Interest cost	51	39
Benefits settled	(51)	(37)
Actuarial losses/ (gain)	10	(5)
Closing defined benefit obligation	**755**	**661**

Change in plan assets	**As at 31 March 2012**	**As at 31 March 2011**
Plan assets at the beginning of the year, at fair value	592	494
Additions due to acquisition	15	-
Expected return on plan assets (estimated)	50	46
Contributions	99	87
Benefits settled	(51)	(37)
Actuarial gain/(losses)	2	2
Plan assets at the end of the year, at fair value	**707**	**592**

Reconciliation of present value of the obligation and the fair value of the plan assets	**As at 31 March 2012**	**As at 31 March 2011**
Fair value of plan assets at the end of the year	707	592
Present value of the defined benefit obligations at the end of the year	755	661
Liability recognized in the balance sheet	**(48)**	**(69)**

Gratuity cost for the year	**For the year ended 31 March 2012**	**For the year ended 31 March 2011**
Current service cost	70	156
Interest cost	51	39
Net actuarial losses/ (gain) recognised in year	8	(7)
Return on plan assets	(50)	(46)
Total, included in "Employee benefit expense"	**79**	**142**

Assumptions at the valuation date	**As at 31 March 2012**	**As at 31 March 2011**
Discount factor	8.5%	8.0%
Expected rate of return on plan assets	8.5%	8.0%
Expected rate of salary increase	6.0%	6.0%
Attrition rate	5.0%	5.0%
Retirement age	58	58

The estimate of future salary increases considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.

DYNAMATIC TECHNOLOGIES LTD. BANGALORE-58.

B S R & Associates BANGALORE 560 071 CHARTERED ACCOUNTANTS

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

Provision for warranty:

(Amount in Rs lacs)

Particulars	**As at 31 March 2012**	**As at 31 March 2011**
Opening balance	58	56
Provision (including due to acquisitions)	931	70
Utilized during the year	(532)	(68)
Closing balance	**457**	**58**

Warranty provision is utilised to make good the amount spent on spares, labour, and all other related expenses on the event of failure of automotive products. All the amounts are expected to be utilised in the ensuing year. Outflows are expected to maintain the same trend as that of past years. No amount is expected as a reimbursement towards this cost.

35 Related party transactions:

Description of relationship	**Name of related Party**
Subsidiaries including step subsidiaries	i) Dynamatic Ltd, UK (DLUK) ii) JKM Global Pte Limited, Singapore (JGPL) iii) JKM Research Farm Limited (JRFL) iv) JKM Erla Automotive Limited (JEAL) v) JKM Eisenwerk Erla GmbH, Germany (JKEH) vi) JKM Ferrotech Limited (JFTL) vii) Yew Tree Investments Limited (YTIL) viii) JKM Erla Holdings GmbH (JEHG) ix) Eisenwerk Erla GmbH (EEG)
Significant influence	i) JKM Holding Private Limited (JHPL) ii) JKM Human Resources Private Limited (JHRPL) iii) JKM Offshore (India) Private Limited (JOIPL) iv) Udayant Malhoutra and Co Private Limited (UMCPL) v) Vita Private Limited (VPL)
Key Management Personnel (KMP)	i) Udayant Malhoutra, Chief Executive Officer and Managing Director (UM) ii) V Sunder - President and Group Chief Financial Officer (VS) iii) B Seshnath -Executive Director and Chief Marketing Officer (BS) iv) N Rajagopal -Executive Director and Chief Operating Officer (NR) v) Ian Patterson – Group Technical Director (IP) Dynamatic Limited, UK vi) Raymond Keith Lawton - Executive Director and Chief Operating Officer (RKL). Dynamatic Limited, UK vii) James Tucker – Operating Director, (DL,UK) (JT) viii) Clarie Tucker – Finance and Systems Director, (DL,UK) (CT)

DYNAMATIC TECHNOLOGIES LTD. BANGALORE-19

B S R & Associates BANGALORE 560 071 CHARTERED ACCOUNTANTS

Dynamatic Technologies Limited
Notes to the consolidated financial statement (continued)

Relatives of KMP	i) Pramilla Malhoutra (PM) ii) Udita Malhoutra (UDM) iii) Barota Malhoutra (BM)

The following is the summary of transactions and balances for the year ended 31 March 2012 and 31 March 2011 respectively:

(Amount in Rs'Lacs)

	2012			2011		
Related Party	**Significant influence**	**Key management personnel**	**Relatives**	**Significant influence**	**Key management personnel**	**Relatives**
Expenses						
Rent						
- JHPL	4	-	-	4	-	-
-PM	-	-	22	-	-	19
-UM	-	-	4	-	-	3
Interest -JHPL	32	-	-	-	-	-
Salaries and wages						
- JHRPL	786	-	-	607	-	-
Managerial remuneration						
- UM	-	34	-	-	43	-
- NR	-	42	-	-	34	-
- VS	-	53	-	-	45	-
- BS	-	40	-	-	33	-
- RKL	-	71	-	-	61	-
- IP	-	60	-	-	55	-
- JT	-	99	-	-	88	-
- CT	-	97	-	-	88	-
Dividend						
Interim dividend						
- JHPL	53	-	-	48	-	-
- JOIPL	26	-	-	26	-	-
- UMCPL	39	-	-	41	-	-
- UM	-	56	-	-	58	-
- BM	-	-	-	-	-	-
- Others	6	-	-	5	-	-
Final dividend						
- JHPL	32	-	-	24		-
- JOIPL	18	-	-	13		-
- UMCPL	27	-	-	21		-

DYNAMATIC TECHNOLOGIES LTD. * BANGALORE-58 *

B S R & Associates * BANGALORE 560 071 * CHARTERED ACCOUNTANTS

	2012			2011		
Related Party	**Significant influence**	**Key management personnel**	**Relatives**	**Significant influence**	**Key management personnel**	**Relatives**
- UM	-	38	-	-	29	-
- Others	4	-	-	3	-	-
Balances outstanding						
Trade Payables - JHRPL	32	-	-	10	-	-
Short term borrowings -JHPL	50	-	-	-	-	-

36 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.

DYNAMATIC TECHNOLOGIES LTD * BANGALORE-58 *

B S R & Associates * BANGALORE 560 071 * CHARTERED ACCOUNTANTS

Information relating to business segments for the year ended 31 March 2012

(Amount in Rs lacs)

Particulars	HPE	AC	AUC	ASP	WF	RF	Unallocated	Total
A. Primary Segment reporting								
(i) Revenue								
Sales and services	30,038	5,116	113,099	14,118	499	-	-	162,870
Less: excise duty	(1,849)	(24)	(2,559)	(22)	(4)	-	-	(4,458)
Less: Inter-segment sales and services	(76)	(4,819)	(3,338)	-	(463)	-	-	(8,696)
Other income	948	180	1,557	300	-	108	438	3,531
Inter-segment Income							(1,397)	(1,397)
Total Revenue	**29,061**	**453**	**108,759**	**14,396**	**32**	**108**	**(959)**	**151,850**
(ii) Results								
Segment result - EBIDTA-profit/(loss)	4,507	(597)	5,405	5,385	254	97	130	15,181
(Less): depreciation	(801)	(257)	(2,293)	(812)	(169)	(8)	-	(4,340)
Segment result - profit/(loss)	3,706	(854)	3,112	4,573	85	89	130	10,841
(Less): Finance costs							(7,145)	(7,145)
(Less): Exceptional item							(175)	(175)
Profit/(loss) before taxation	**3,706**	**(854)**	**3,112**	**4,573**	**85**	**89**	**(7,190)**	**3,521**
(Less): Provision for taxation							(1,057)	(1,057)
Net profit after tax	**3,706**	**(854)**	**3,112**	**4,573**	**85**	**89**	**(8,247)**	**2,464**

(iv) Other Information								
Segment assets	25,450	3,972	76,635	18,494	3,775	663	(449)	128,540
Segment liabilities	9,882	2,800	58,418	5,122	39	141	38,142	114,544
Capital expenditure	1,451	1,017	29,511	6,017	137	65	-	38,197
Depreciation	801	257	2,293	812	169	8	-	4,340
Other non-cash expenses	19	16	155	22	-	-	-	212

DYNAMATIC TECHNOLOGIES LTD. BANGALORE-58.

B S R & Associates BANGALORE 560 071 CHARTERED ACCOUNTANTS

Dynamatic Technologies Limited
Notes to the consolidated financial statement (continued)

Information relating to business segments for the year ended 31 March 2011.

(Amount in Rs lacs)

Particulars	HPE	AC	AUC	ASP	WF	RF	Unallocated	Total
A. Primary Segment reporting								
(i) Revenue								
Sales and services	23,037	3,371	19,249	10,241	546	-	-	56,444
Less: excise duty	(1,083)	(7)	(1,944)	(14)	-	-	-	(3,048)
Less: Inter-segment sales and services	(337)	(3,106)	-	-	(450)	-	-	(3,893)
Other income	253	100	182	141	-	118	304	1,098
Inter-segment Income	-	-	-	(31)	-	(108)	(94)	(233)
Total Revenue	**21,870**	**358**	**17,487**	**10,337**	96	**10**	**210**	**50,368**
(ii) Results								
Segment result - EBIDTA-profit/(loss)	2,526	164	1,027	3,907	421	(10)	248	8,283
(Less): depreciation	(569)	(236)	(821)	(722)	(149)	(7)	-	(2,504)
Segment result - profit/(loss)	1,957	(72)	206	3,185	272	(17)	248	5,779
(Less): Finance costs	-	-	-	-	-	-	(2,746)	(2,746)
Profit/(loss) before taxation	**1,957**	**(72)**	**206**	**3,185**	**272**	**(17)**	**(2,498)**	**3,033**
(Less): Provision for taxation	-	-	-	-	-	-	(865)	(865)
Net profit after tax	**1,957**	**(72)**	**206**	**3,185**	**272**	**(17)**	**(3,363)**	**2,168**
(iii) Other Information								
Segment assets	21,277	3,190	20,107	14,895	2,947	501	1,203	64,120
Segment liabilities	3,595	1,335	5,449	3,153	16	2	35,116	48,666
Capital expenditure	2,779	2,987	64	5,882	-	237	159	12,108
Depreciation	569	236	821	722	149	7	-	2,504
Other non-cash expenses	40	10	74	2	-	23	-	149

DYNAMATIC TECHNOLOGIES LTD. * BANGALORE-58. *

B S R & Associates * BANGALORE 560 071 * CHARTERED ACCOUNTANTS

37 Derivative instruments

As of 31 March 2012 the Company has recognized losses of Rs 2,706 lacs (2011: 275 lacs) relating to derivative instruments (comprising of foreign currency forward contracts) that are designated as effective cash flow hedges in the shareholders' fund.

The following table presents the aggregate contracted principal amounts of the Company's derivative contracts outstanding as at:

Particulars		As at 31 March 2012	As at 31 March 2011
Designated derivative instruments			
Forwards Sell	GBP	149	191
Interest rate swap	EURO	17,150	-
	USD	45	-
Cross currency swaps	JPY	3,476	5,512
	SGD	80	92
Non designated derivative instruments			
Forwards - Sell	EURO	3	-
	USD	16	-
Forwards and options - Buy	USD	35	9

As of the balance sheet date, the Company has foreign currency exposures that are not hedged by a derivative instrument or otherwise as detailed below:

Particulars	As at 31 March 2012		As at 31 March 2011	
	Amount in original currency in lacs	Amount in Rs. lacs	Amount in original currency in lacs	Amount in Rs. lacs
Trade receivables				
USD	49	2,490	29	1,291
EURO	6	402	5	295
GBP	7	596	7	502
		3,488		**2,088**
Advance paid				
CHF	0	5	-	-
Trade payables				
USD	69	3,518	101	4,505
EURO	1	63	10	626
GBP	0	3	-	20
CHF	-	-	6	314
JPY	502	313	423	229
SGD	-	-	1	47
		3,897		**5,741**

DYNAMATIC TECHNOLOGIES LTD. BANGALORE-58.

B S R & Associates BANGALORE 560 071 CHARTERED ACCOUNTANTS

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

(Amount in Rs lacs)

Particulars	For the year ended 31 March 2012	For the year ended 31 March 2011
Construction work in progress	711	716
Unbilled revenue	762	716
Customer advances	185	306

39 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.

40 The Board of Directors in their meeting dated 07 May 2011 had decided to demerge the "Automotive Division" of the Company into JKM Erla Automotive Limited (JEAL) (a wholly owned subsidiary of the Company) w.e.f. 01 April 2011 and had received No Objection Certificate from Bombay Stock Exchange and National Stock Exchange Limited.

Taking into consideration the tight timelines available for integration of multiple corporate structures within the automotive business, as well as the financial / tax implications, the Board of Directors decided to withdraw the Scheme of demerger in their meeting dated 13 February 2012. It is proposed to evaluate an appropriate scheme during the following year.

41 The Company through its wholly owned step subsidiary JKM Erla Holdings GmbH (JEGH) [a subsidiary of JKM Erla Automotive Limited (JKEAL)] has acquired 100% shareholding in JKM Group GmbH (JGH) [erstwhile known as JEH Group GmbH] (formerly Sanmar Group Germany GmbH) vide share purchase agreement dated 31 May 2011, which is effective 01 April 2011, at an aggregate consideration of Euro 26.40 million. This acquisition involved holding of the 100% shares of Eisenwerk Erla GmbH, Germany (EEG) through multiple wholly owned subsidiaries namely JEGH, JGH, Eisenwerk Erla (B) GmbH (EEBH). EEG held 100% shareholding in JKM Ferrotech Limited, [erstwhile known as Sanmar Ferrotech Limited]. The Company has merged JGH and EEBG (transferor companies) with JEGH (transferee) effective 01 April 2011 and accordingly fair valued the assets and liabilities of the transferor companies. The merger is approved by the German courts and the name of the transferor companies has been deleted in the registrar. The said amalgamation of the JGH Group has been as accounted on the basis of the purchase method as envisaged in the Accounting Standard (AS) -14 on Accounting for Amalgamations.

42 In accordance with the Scheme of Arrangement between JKEAL and its respective shareholders and creditors duly approved by the Hon'ble High Court of Karnataka vide its order dated 30 July 2012, the following adjustments have been recorded in the consolidated financial statement of the Group:

Particulars	Amount in Rs lacs
Fair valuation adjustment of tangible fixed assets of EEG with a corresponding credit to Business Restructuring Reserve (BRR)	7,560
Reduction of securities premium with a credit to BRR	(200)
Incremental depreciation on the fair value of tangible fixed assets as described above has been debited to "debit balance arising on consolidation"	793
BRR balance has been set off with the goodwill arising on consolidation to the extent of fair value adjustment of tangible fixed assets as described above	(7,560)

Section 6 (paragraph 6.1 to 6.11) of the said scheme specifies the accounting treatment and inter alia specifies that such accounting treatment would be reflected in the financial statement of the Group, prepared as per the Indian Generally Accepted Accounting Principles.

DYNAMATIC TECHNOLOGIES LTD. BANGALORE-58

B S R & Associates BANGALORE 560 071 CHARTERED ACCOUNTANTS

Dynamatic Technologies Limited
Notes to the consolidated financial statement (continued)

Had the Company alternatively followed the Accounting Standards, notified under the Companies Act, 1956, the goodwill arising on consolidation of Rs 6,788 lacs would have increased to Rs 14,348 lacs, tangible fixed assets of Rs 53,490 lacs would have reduced to Rs 46,723 lacs, debit balance arising on consolidation of Rs 593 lacs would have reduced to nil and securities premium of Rs 7,111 lacs would have increased to Rs 7,311 lacs. There is no impact on the profits and cash flows of the Group.

As per our report of even date attached
for **B S R & Associates**
Chartered Accountants
Firm registration number: 116231W

Sunil Gaggar
Partner
Membership number: 104315

Place : Bangalore
Date :

for **Dynamatic Technologies Limited**

Dr. K. Aprameyan
Director

Air Chief Marshal S.Krishnaswamy (Retd.)
Director

S. Govindarajan
Director

Govind Mirchandani
Director

Malvika Jayaram
Director

Raymond Keith Lawton
Director

N. Rajagopal
Executive Director and CTO

B. Seshnath
Executive Director and CMO

V. Sunder
President and Group CFO

Udayant Malhoutra
CEO and Managing Director

N. Ram Mohan
Financial Controller

M. Sindhu
GM- Compliance, Legal & Company Secretary

B S R & Associates LLP

Chartered Accountants

Maruthi Info-Tech Centre
11-12/1 Inner Ring Road
Koramangala
Bangalore 560 071 India

Telephone: + 91 80 3980 6000
Fax: + 91 80 3980 6999

Review report to the Board of Directors of Dynamatic Technologies Limited

1. We have reviewed the accompanying consolidated unaudited financial results ("the Statement") of Dynamatic Technologies Limited ('the Company') its subsidiaries, and an associate as detailed in note 1 of the Statement, (collectively referred to as 'Dynamatic Group') for the quarter ended 30 June 2014, attached herewith, being submitted by the Company pursuant to the requirement of Clause 41 of the Listing Agreement issued by the Securities and Exchange Board of India ("Listing Agreement") except for the disclosures regarding 'Public Shareholding' and 'Promoters and Promoter Group Shareholding' which have been traced from disclosures made by the Management and have not been reviewed by us. This Statement is the responsibility of the Company's Management and has been approved by the Board of Directors in their meeting held on 14 August 2014. Our responsibility is to issue a report on this Statement based on our review. Attention is drawn to the fact that the figures for the three months ended 31 March 2014 as reported in this Statement are the balancing figures between audited figures in respect of the full previous financial year and the published year to date figures up to the end of third quarter of the previous financial year. The figures up to the end of the third quarter of the previous financial year had only been reviewed and not subject to an audit.

2. We conducted our review in accordance with the Standard on Review Engagements ('SRE') 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the Institute of Chartered Accountants of India. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the Statement is free of material misstatement. A review is limited primarily to inquiries of Company personnel and an analytical procedure applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

3. We did not review the unaudited financial results of certain subsidiaries and an associate which have been incorporated in the Statement. These subsidiaries and the associate account for 73.46 % of total revenues, other operating income and other income as shown in the Statement for the quarter ended 30 June 2014. Of the above:

   The unaudited financial results 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 reviewed by other auditors duly qualified to act as auditors in those countries. These subsidiaries account for 73.46% of total revenues, other operating income and other income as shown in the Statement for the quarter ended 30 June 2014. For the purposes of preparation of the Statement, the aforesaid local GAAP financial results 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 the Statement under the generally accepted accounting principles in India. The reporting packages made for this purpose have been reviewed by other auditors and reports of those other auditors have been furnished to us. Our opinion on the Statement, insofar as it relates to these entities, is based solely on the aforesaid review reports of those other auditors.

4. Based on our review conducted as explained in paragraphs 1 and 2 and on consideration of reports of other auditors explained in the paragraph 3 above, nothing has come to our attention that causes us to believe that the accompanying Statement for the quarter ended 30 June 2014, prepared in accordance with applicable Accounting Standards and other recognised accounting practices and policies has not disclosed the information required to be disclosed in terms of Clause 41 of the Listing Agreement, including the manner in which it is to be disclosed, or that it contains any material misstatement.

for **B S R & Associates LLP**
Chartered Accountants
Membership number: 116231W/W-100024

Vineet Dhawan
Partner
Membership number: 092084
Place: Bangalore
Date: 14 August 2014

DYNAMATIC TECHNOLOGIES LIMITED
DYNAMATIC PARK, PEENYA, BANGALORE-560 058, INDIA
Unaudited consolidated financial results for the quarter ended 30 June 2014

PART I

(Rs in lacs, except as otherwise stated)

Sl. No.	Particulars	Quarter ended			For the year ended
		30 June 2014 Unaudited	31 March 2014 (Audited)*	30 June 2013 Unaudited	31 March 2014 Audited
1	**Income from operations**				
	a) Net sales/income from operations (net of excise duty)	42,169.93	42,656.43	35,091.27	157,191.40
	b) Other operating income	326.38	387.74	385.13	1,562.61
	Total income from operations (net)	**42,496.31**	**43,044.17**	**35,476.40**	**158,754.01**
2	**Expenses**				
	a) Cost of materials consumed	24,406.54	24,548.71	20,358.05	89,824.83
	b) Changes in inventories of finished goods and work-in-progress	135.28	(138.87)	(197.11)	(706.94)
	c) Employee benefit expenses	5,958.57	6,084.84	4,932.26	22,155.82
	d) Depreciation and amortisation	1,219.62	1,279.40	1,284.80	5,125.51
	e) Other expenses	7,365.93	8,290.08	7,416.05	31,187.38
	Total expenses	**39,085.94**	**40,064.16**	**33,794.05**	**147,586.60**
3	**Profit from operations before other income, finance costs and exceptional items (1 - 2)**	**3,410.37**	**2,980.01**	**1,682.35**	**11,167.41**
4	Other income (refer note 7)	112.98	1,222.84	125.43	1,536.00
5	**Profit from ordinary activities before finance costs and exceptional items (3 + 4)**	**3,523.35**	**4,202.85**	**1,807.78**	**12,703.41**
6	Finance costs	2,136.22	2,594.31	2,319.91	9,973.03
7	**Profit /(loss) from ordinary activities after finance costs but before exceptional items (5 - 6)**	**1,387.13**	**1,608.54**	**(512.13)**	**2,730.38**
8	Exceptional items (Refer note 4)	2,255.55	-	150.03	150.03
9	**(Loss) / profit from ordinary activities before tax (7 - 8)**	**(868.42)**	**1,608.54**	**(662.16)**	**2,580.35**
10	Tax expense, net	233.00	287.58	377.66	1,203.49
11	**Net (loss) / profit for the period/ year (9 - 10)**	**(1,101.42)**	**1,320.96**	**(1,039.82)**	**1,376.86**
12	Paid-up equity share capital (face value of Rs 10/- each)	575.73	554.00	541.47	554.00
13	Reserves (excluding revaluation reserve)				13,134.88
14	**(Loss) / Earnings per share (Rs.)**				
	Basic	(19.64)	24.39	(19.20)	25.42
	Diluted	(19.64)	24.39	(19.20)	25.42

*Balancing figure (refer note 2)

PART II

Select Information for the quarter ended 30 June 2014

Sl. No.	Particulars	Quarter ended			For the year ended
		30 June 2014	31 March 2014	30 June 2013	31 March 2014
A	**PARTICULARS OF SHAREHOLDING**				
1	Public shareholding				
	- Number of shares	2,614,198	2,438,189	2,418,616	2,438,189
	- Percentage of shareholding	45.40%	44.01%	44.67%	44.01%
2	Promoters and promoter group shareholding				
	a) Pledged/Encumbered				
	- Number of shares	875,000	1,050,000	968,500	1,050,000
	- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	27.84%	33.85%	32.33%	33.85%
	- Percentage of shares (as a % of the total share capital of the company)	15.20%	18.95%	17.89%	18.95%
	b) Non-encumbered				
	- Number of shares	2,268,121	2,051,861	2,027,587	2,051,861
	- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	72.16%	66.15%	67.67%	66.15%
	- Percentage of shares (as a % of the total share capital of the company)	39.40%	37.04%	37.44%	37.04%

DYNAMATIC TECHNOLOGIES LTD. BANGALORE-58

B S R & Associates LLP BANGALORE 560 071 CHARTERED ACCOUNTANTS

Segment reporting:

(Rs in lacs, except as otherwise stated)

Sl. No.	Particulars	Quarter ended			For the year ended
		30 June 2014	31 March 2014	30 June 2013	31 March 2014
		Unaudited	(Audited)*	Unaudited	Audited
1	**Segment revenue**				
	a) Hydraulics	7,815.61	7,727.42	6,933.06	30,952.73
	b) Aerospace and Homeland	5,927.02	6,287.48	4,539.61	22,333.05
	c) Automotive and Aluminum castings	28,726.68	29,002.27	23,976.73	105,360.23
	d) Research farm	27.00	27.00	27.00	108.00
	Total income from operations (net)	**42,496.31**	**43,044.17**	**35,476.40**	**158,754.01**
2	**Segment results (profit / (loss) before tax and interest from each segment)**				
	a) Hydraulics	645.12	698.14	458.71	3,342.24
	b) Aerospace and Homeland	1,178.11	1,434.20	1,199.10	5,712.69
	c) Automotive and Aluminum castings	1,562.22	822.95	13.94	2,073.43
	d) Research farm	24.92	24.72	10.60	39.05
	Total	**3,410.37**	**2,980.01**	**1,682.35**	**11,167.41**
	Unallocable				
	- Finance costs	2,136.22	2,594.31	2,319.91	9,973.03
	- Exceptional items (refer note 4)	2,255.55	-	150.03	150.03
	- Other income (refer note 7)	(112.98)	(1,222.84)	(125.43)	(1,536.00)
	(Loss) / Profit before tax	**(868.42)**	**1,608.54**	**(662.16)**	**2,580.35**
3	**Segment capital employed**				
	(Segment assets - segment liabilities)				
	a) Hydraulics	8,959.66	8,991.02	9,696.84	8,991.02
	b) Aerospace and Homeland	22,622.25	21,638.16	19,573.65	21,638.16
	c) Automotive and Aluminum castings	22,246.51	23,898.32	23,007.39	23,898.32
	d) Research farm	564.30	591.83	551.11	591.83
	e) Others	2,885.18	2,875.00	2,964.99	2,875.00
	Total	**57,277.90**	**57,994.33**	**55,793.98**	**57,994.33**
	Unallocable assets	(5,364.71)	(6,230.34)	(4,831.30)	(6,230.34)
		51,913.19	**51,763.99**	**50,962.68**	**51,763.99**

*Balancing figure (refer note 2)

DYNAMATIC TECHNOLOGIES LTD. ★ BANGALORE-58 ★

B S R & Associates LLP ★ CHARTERED ACCOUNTANTS ★ BANGALORE 560071

NOTES:

1. The above results of Dynamatic Technologies Limited ("the Company"), its subsidiaries and an associate, as listed below, (collectively known as "the Group") are prepared in accordance with requirements of the Accounting Standard AS 21 "Consolidated Financial Statements" prescribed by Companies (Accounting Standards) Rules, 2006 (as amended).

Sl. no.	Name of the entity	Subsidiary / associate	Country of incorporation	Effective group shareholding %
1	JKM Erla Automotive Limited	Subsidiary	India	99.99
2	JKM Ferrotech Limited	Subsidiary	India	99.99
3	JKM Research Farm Limited	Subsidiary	India	99.99
4	JKM Global Pte Limited	Subsidiary	Singapore	100
5	Dynamatic Limited	Subsidiary	United Kingdom	100
6	Yew Tree Investments Limited	Subsidiary	United Kingdom	100
7	JKM Erla Holdings GmbH	Subsidiary	Germany	100
8	Eisenwerk Erla GmbH	Subsidiary	Germany	100
9	Harasfera Design Private Limited	Associate	India	50

2. The above results were reviewed by Audit Committee in their meeting held on 13 August 2014, thereafter approved by the Board of Directors in their meeting held on 14 August 2014 and have undergone a "Limited Review" by the Statutory Auditors of the Company. The review report of the Statutory Auditors is being filed with the Bombay Stock Exchange and the National Stock Exchange and is also available on the Company's website at www.dynamatics.com. Figures for the three months ended 31 March 2014 as reported in these financial results are the balancing figures between audited figures in respect of the full previous financial year and the published year to date figures upto the end of the third quarter of the relevant financial year.

3. Pursuant to the provisions of the Listing Agreement, the Management has decided to publish consolidated financial results in the newspapers. However the standalone financial results will be made available on the Company's website at www.dynamatics.com and also on the websites of BSE (www.bseindia.com) and NSE (www.nseindia.com).

4. During the quarter ended 30 June 2014, the Group has carried out a deleverage exercise and has prepaid certain loans to the banks and other parties in the books of the Company as well as at subsidiaries. As a part of this deleverage exercise and repayment of loans the Group has incurred various charges such as redemption premium to banks, prepayment penalty, swap cancellation, upfront fees etc aggregating Rs 2,255.55 lacs. As these charges are one time and not expected to recur frequently and hence disclosed as "Exceptional items".

DYNAMATIC TECHNOLOGIES LTD. BANGALORE-58

B S R & Associates LLP BANGALORE 560071 CHARTERED ACCOUNTANTS

5. During the quarter ended 30 June 2014, the Company has entered into an "Agreement for sale" dated 16 May 2014 with M/s Raised on Denim India and Karnataka Texspares and Steel Profiles Private Limited (collectively known as "purchasers") towards the sale of its assets (Land, Industrial or factory buildings and other structures at Dynamatic Park, Peenya) at a consideration of Rs.7,000 lacs. The said asset will be leased back to the Company for a lock in period of eight years with no obligation on the Company to buy back. The related written down value of the said asset is Rs.2,887 lacs. As the Company is in the process of completing the necessary conditions mentioned in the "Agreement for sale" and its consequent registration, the profit arising on such sale has not been recognised during the quarter.

6. Pursuant to a resolution passed in the Extraordinary General Meeting of shareholders dated 25 March 2013, amounts aggregating Rs 675 lacs and Rs 575 lacs (being 25% of the total value of warrants at the date of allotment) has been brought in by Mr. Udayant Malhoutra in his capacity as Promoter and by Wavell Investments Private Limited, being a Promoter group company, towards subscription of 338,440 and 288,300 convertible warrants of Rs 797.78 each respectively. These warrants give the right to the warrant holders to subscribe for one equity share of Rs 10 each in the Company per warrant which is exercisable within 18 (eighteen) months from the date of allotment i.e. 26 March 2013. The Company in the previous financial year had issued 125,347 equity shares to Wavell Investments Private Limited by converting 125,347 warrants after receiving balance 75% of total value of 125,347 warrants aggregating Rs.750 lacs.

   During the quarter ended 30 June 2014, the Company has further issued 217,269 equity shares by converting 217,269 warrants to Udayant Malhoutra after receiving balance 75% of total value of 217,269 warrants aggregating Rs.1,300 lacs.

   Subsequent to the quarter ended 30 June 2014, the Company has converted the remaining warrants and has issued 121,171 equity shares to Mr. Udayant Malhoutra and 162,953 equity shares to Wavell Investments Private Limited by converting 121,171 and 162,953 warrants respectively after receiving balance 75% of total value aggregating Rs 1,700 lacs

7. During the year ended 31 March 2014, the Company had transferred its right on leasehold land located at the SIPCOT area in Tamil Nadu along with the building and the superstructure constructed on it for aggregate consideration of Rs.2,854 lacs. Accordingly, the Company had credited Rs.1,295 lacs to the statement of profit and loss account including adjustment of revaluation reserve of Rs.1,387 lacs.

8. During the quarter ended June 30, 2014, as per the requirement of Section 123 of the Companies Act 2013, the Company, based on internal and external technical evaluation, has reassessed the remaining useful life of assets, primarily consisting of plant and machinery and buildings with effect from April 1, 2014. Based on the reassessment, the Management believes that there would not be any change in the useful life of fixed assets from the previous estimates and accordingly no accounting adjustments is currently required

DYNAMATIC TECHNOLOGIES LTD ★ BANGALORE-58 ★

B S R & Associates LLP ★ BANGALORE 560 071 ★ CHARTERED ACCOUNTANTS

9. Information of standalone audited financial results of the Company in terms of Clause 41 (VI) (b) of the Listing Agreement is as under:

(Rs in lacs)

Particulars	Quarter ended			Year ended
	30 June 2014	31 March 2014	30 June 2013	31 March 2014
	Unaudited	Audited*	Unaudited	Audited
Total income from operations	11,128.68	11,060.89	9,741.23	42,892.37
(Loss) / profit before tax and exceptional items	(196.30)	440.25	(531.87)	180.91
(Loss) / profit after tax and exceptional items	(641.32)	440.25	(681.90)	30.88

* refer note 2

10. Status of investor complaints for the quarter ended 30 June 2014:

Particulars	Opening	Received	Resolved	Pending
Number of complaints	-	-	-	-

11. Previous period/ year figures have been reclassified to conform with current period/ year presentation, where applicable.

For and on behalf of the Board of Directors

Udayant Malhoutra
CEO and Managing Director
Dynamatic Technologies Limited

Place: Bangalore
Date: 14 August 2014

B S R & Associates LLP
BANGALORE
560 071
CHARTERED ACCOUNTANTS

DECLARATION

Our Company certifies that all relevant provisions of Chapter VIII read with Schedule XVIII of the SEBI ICDR Regulations have been complied with and no statement made in this Preliminary Placement Document is contrary to the provisions of Chapter VIII and Schedule XVIII of the SEBI ICDR Regulations and that all approvals and permissions required to carry on our business have been obtained, are currently valid and have been complied with. Our Company further certifies that all the statements in this Preliminary Placement Document are true and correct.

Signed by

Udayant Malhoutra
Chief Executive Office and Managing Director

Date: October 13, 2014
Place: Bangalore

DECLARATION IN ACCORDANCE WITH FORM PAS - 4

We the Board of Directors of our Company certify that:

(a) our Company has complied with the provisions of the Companies Act, 2013 and the rules made thereunder;

(b) the compliance with the Companies Act, 2013 and the rules does not imply that payment of dividend or interest or repayment of debentures, if applicable, is guaranteed by the Central Government; and

(c) the monies received under the offer shall be used only for the purposes and objects indicated in the Preliminary Placement Document (which includes disclosures prescribed under Form PAS-4).

Signed by

____

Director

I am authorized by the Finance Committee, a committee of the Board of Directors of our Company, *vide* resolution number _______ dated October 13, 2014 to sign this form and declare that all the requirements of Companies Act, 2013 and the rules made thereunder in respect of the subject matter of this form and matters incidental thereto have been complied with. Whatever is stated in this form and in the attachments thereto is true, correct and complete and no information material to the subject matter of this form has been suppressed or concealed and is as per the original records maintained by the promoters subscribing to the Memorandum of Association and Articles of Association.

It is further declared and verified that all the required attachments have been completely, correctly and legibly attached to this form.

Signed by

Naveen Chandra

[Company Secretary and Compliance Office]

Date: October 13, 2014
Place: Bangalore

ISSUER

DYNAMATIC TECHNOLOGIES LIMITED

REGISTERED OFFICE OF THE ISSUER
Dynamatic Park, Peenaya
Bangalore – 560 058
Karnataka, India
Website:www.dynamatics.com, CIN : L72200KA1973PLC002308
Contact Person: Naveen Chnadra, Company Secretary and Compliance Officer

ADDRESS OF THE COMPLIANCE OFFICER

Naveen Chandra
Dynamatic Park, Peenaya
Bangalore – 560 058
Karnataka, India
Tel: +91 80 – 2839 4933, Fax: +91 80 – 2839 5823, Email: naveen.c@dynamatics.net

BOOK RUNNING LEAD MANAGERS

Emkay Global Financial Services Limited

7th Floor, The Ruby
Senapati Bapat Marg, Dadar (West)
Mumbai – 400 028
Maharashtra, India

IL&FS Capital Advisors Limited

The IL&FS Financial Center,
3rd Floor, Plot C-22, G-Block
Bandra Kurla Complex, Bandra (East),
Mumbai – 400 051
Maharashtra, India

LEGAL ADVISORS TO THE ISSUE

M/s. Crawford Bayley & Co.
State Bank Buildings, 4th Floor
N.G.N. Vaidya Marg, Fort
Mumbai 400 023
Maharashtra, India
Email: sanjay.asher@crawfordbayley.com

STATUTORY AUDITOR

M/s. B S R & Co. LLP
Chartered Accountants
Maruthi Info-Tech Centre,
11-12/1 Inner Ring Road, Koramangala
Bangalore – 560 071

TAX AUDITOR

M/s. BVS & Associates
Chartered Accountants
Venkatadri, 1st Floor, 31 -32, CK Garden
Wheeler Road Extension, St. Thomas town
Bangalore – 560 084