

# DYNAMIC TECHNOLOGIES LIMITED

ANNUAL  
REPORT



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# ANNUAL REPORT 2000

## Board of Directors

Mr. J.K. Malhoutra	Chairman
Mr. N. Lakshman Rau	Director
Mr. S.H. Utamsingh	Director
Mr. A.B. Datar	Director
Mr. Vijai Kapur	Director
Mr. B.L. Dhar	Wholetime Director
Mr. Udayant Malhoutra	Managing Director

## AUDITORS

M/s. Phillipos & Co.,  
Chartered Accountants, Bangalore

## BANKERS

1. State Bank of Indore
2. Punjab National Bank
3. IDBI Bank Limited
4. Indian Bank

## REGISTRAR & TRANSFER AGENTS

Karvy Consultants Limited  
#51/2, T.K.N. Complex, Vanivilas Road  
Opp. National College, Basavangudi  
Bangalore 560 004.

## REGISTERED OFFICE

'Dynamatic Park', Peenya, Bangalore 560 058

Report



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# contents

## DYNAMATIC TECHNOLOGIES LIMITED

### 25TH ANNUAL REPORT

Message from the Managing Director .....	3
Notice to Shareholders .....	4
Directors' Report to Shareholders .....	8
Auditors' Report .....	11
Balance Sheet .....	13
Profit & Loss Account .....	14
Schedules to Balance Sheet .....	15
Schedules to Profit & Loss Account .....	18
Notes Forming Part of Accounts .....	20
Accounting Policies .....	25
Cash Flow Statement .....	27
Balance Sheet Abstract and Company's General Business Profile .....	28

## JKM DAE RIM AUTOMOTIVE LIMITED

2ND ANNUAL REPORT .....	29
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## m e s s a g e

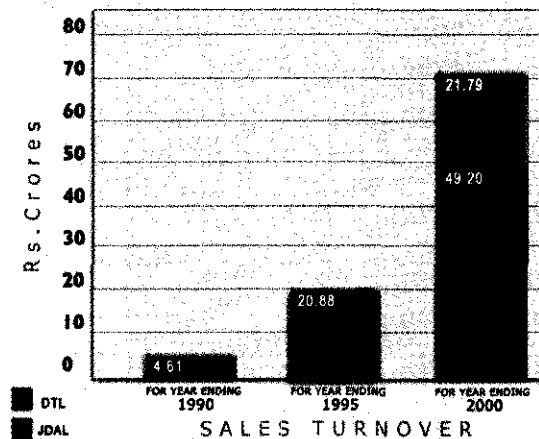
## Message from the Managing Director

### INVESTING IN GROWTH

The 1990's have come to an end.

This was a period of immense growth for your company. From a small manufacturer of tractor parts, your company has grown into Asia's largest producer of Hydraulic Gear Pumps.

Our knowledge base has expanded to include advanced design and manufacturing skills in Aerospace and Automotive Engineering. Your company's two non-ferrous foundries supply crucial raw material for aerospace, automotive and industrial applications.



Behind this transformation, has been a desire.... a dream to build a large world-class company that Indians can be proud of. A company based on sound ethical and moral values and differentiated from peers by its technological prowess.

Today your company dominates the mobile hydraulic market in India with high quality products, global economies of scale and the finest distribution network in the industry. Your company has been recognised for excellence in Defence production, and its Dynametal Division looks set to benefit from the paradigm shift to non-ferrous metals in the automotive sector.

The year under review has seen your company's business grow by a stunning 83.20% on an annualised basis, when one considers the performance of its subsidiary JKM Daerim Automotive Limited. We have had to partially sacrifice profitability to achieve this growth as large investments were made and both the new plants suffered normal startup losses. These are both profitable now, and will contribute significantly to the size of your next balance sheet.

In the year ahead, we are targeting a combined sales turnover of Rs.100 crores for your company and its subsidiary, JKM Daerim Automotive Limited. This will give us a far larger base to build upon in the next decade than what we started out with.

Enhancement of shareholder wealth is of prime concern to us. We are launching initiatives to unlock value from our knowledge assets, and expect significant value creation as a result in the near term.

In the meanwhile, I take this opportunity to thank you for your continued support.

**UDAYANT MALHOUTRA**

# ANNUAL REPORT 2000

## Notice to Shareholders

NOTICE is hereby given that the **Twenty Second Annual General Meeting** of the Members of the Company will be held at the Registered Office of the Company on **Saturday, 12<sup>th</sup> August, 2000 at 3.00 PM** to transact the following business:

**Annual General Meeting** of the Members of the Company will be held at the Registered Office of the Company at 'Dynamatic Park', Peenya, Bangalore 560 058 on **Saturday, 12<sup>th</sup> August, 2000 at 3.00 PM** to transact the following business:

### AS ORDINARY BUSINESS

- 1 To receive, consider and adopt the **Balance Sheet and Profit and Loss Account** for the period ended 31<sup>st</sup> March, 2000 together with the **Report of the Board of Directors and Auditors thereon.**
- 2 To appoint a Director in place of **A.B. Datar**, who retires by rotation. He is eligible for re-election.
- 3 To appoint a Director in place of **M. S.H. Utamsingh**, who retires by rotation. He is eligible for re-election.
- 4 To declare a dividend.
- 5 To appoint Auditors and fix their remuneration. The retiring Auditors, M/s. Phillipos & Co., are eligible for reappointment.

### AS SPECIAL BUSINESS

- 6 To consider and if thought fit, to pass, with or without modification the following resolution as a **Special Resolution**:

"RESOLVED THAT pursuant to Section 17 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the confirmation by the Central Government and other authorities, if applicable, the following clauses be added under "Clause III A – Main Objects" of the Memorandum of Association of the Company under "OTHER OBJECTS NOT INCLUDED IN (A) AND (B) ABOVE as new Clause No. 67:

67. To carry on the business of developing, designing, marketing, selling, exporting, importing, licensing and training in computer software, hardware, firmware and programs of any and all description and to provide consultancy services related to the preparation and maintenance of all kinds of software and firmware and programs of any and all description."

- 7 To consider and if thought fit, to pass, with or without modification the following resolution as a **Special Resolution**:

"RESOLVED THAT pursuant to section 31 of the Companies Act, 1956 and other applicable provisions, if any, the Articles of Association of the Company be and are hereby altered as under:

- a) Article 2A of the Articles of Association shall include the following interpretations at appropriate places:

"Beneficial Owner" means a person whose name is recorded as such with a Depository.

"Bye-laws" means bye-laws made by a Depository under section 26 of the Depositories Act.

"Depositories Act" means the Depositories Act, 1996, and includes any statutory modification or re-enactment thereof for the time being in force.

"Depository" means a company formed and registered under the Act and which has been granted a Certificate of Registration to act as a Depository by SEBI.

"Member" means the duly registered holder from time to time of the shares of the Company and includes the subscribers of the Memorandum of the Company and a Beneficial Owner.

"Record" includes the records maintained in the form of books or stored in a computer or such other form as may be determined by regulations made by the SEBI Board.

"SEBI" means the Securities and Exchange Board of India.

"Security" means such security as may be specified by the SEBI from time to time.

- b) After Article 5, the following new Article shall be inserted as Article 5A with the following marginal notes:

**ALLOTMENT OF SECURITIES DEALT WITHIN A DEPOSITORY: 5A.** Notwithstanding anything contained in the Act or the Articles, where securities are dealt with by a depository, the Company shall intimate the details thereof to the depository immediately on allotment of such securities.

- c) After Article 11, the following new Article shall be inserted as Article 11A with the following marginal notes:

**REGISTER AND INDEX OF BENEFICIAL OWNERS: 11A.** The Register and Index of beneficial owners maintained by a depository under the Depositories Act shall be deemed to be the Register and Index of Members and Security holders for the purposes of these Articles.

- d) After Article 22, the following new Articles shall be inserted as Article 22A, 22B, 22C and 22D respectively with the following marginal notes:

**DEMATERIALISATION OF SECURITIES: 22A.** Notwithstanding anything contained in the Articles, the Company shall be entitled to dematerialise its securities, rematerialise its securities held in the depositories and/or to offer its fresh securities in the dematerialised form pursuant to the Depositories Act and the rules framed thereunder, if any.

**OPTION FOR INVESTORS: 22B.** Every person subscribing to securities offered by the company shall have the option to receive security certificate or to hold the securities with a depository. Such a person who is the beneficial owner of the securities can at any time opt out of a depository, if permitted by the law, in respect of any security in the manner provided by the Depositories Act, and the Company shall, in the manner and within the time prescribed, issue to the beneficial owner the required certificate of securities. If a person opts to hold his security with a depository, the company shall intimate such depository the details of allotment of the security, and on receipt of the information, the depository shall enter in its record the name of the allottee as the beneficial owner of the security.

**SECURITIES IN DEPOSITORIES TO BE IN FUNGIBLE FORM: 22C.** All securities held by a depository shall be dematerialised and shall be in fungible form. Nothing contained in sections 153, 153A, 153B, 187A, 187B, 187C and 372A of the Act shall apply to a depository in respect of the securities held by it on behalf of the beneficial owners. No certificate shall be issued for the securities held by the depository.

**DISTINCTIVE NUMBERS OF SECURITIES HELD IN A DEPOSITORY: 22D.** Nothing contained in the Act or the Articles regarding the necessity of having distinctive numbers for securities issued by the Company shall apply to securities held with a depository.

- e) After Article 53, the following new Article shall be inserted as Article 53A with the following marginal notes:

**TRANSFER OF SECURITIES: 53A.** Nothing contained in Section 108 of the Act or the Articles shall apply to a transfer of securities effected by a transferor and transferee both of whom are entered as beneficial owners in the records of a depository.

- f) After Article 98, the following new Article shall be inserted as Article 98A with the following marginal notes:

**VOTING RIGHTS OF DEPOSITORIES AND BENEFICIAL OWNER: 98A.** Notwithstanding anything contained in Article 98 of the Articles, a Depository shall be deemed to be the registered owner for the purpose of effecting transfer of ownership of securities on behalf of a beneficial owner.

Save as otherwise provided hereinabove, the Depository as a registered owner shall not have any voting rights or any other rights in respect of securities held by it; and

Every person holding securities of the Company and whose name is entered as the beneficial owner in the records of the Depository shall be deemed to be a member of the company. The beneficial owner shall be entitled to all the rights and benefits and shall be subject to all the liabilities in respect of such of his securities which, are held by a Depository.

- g) After Article 181, the following new Article shall be inserted as Article 181A with the following marginal notes:

**SERVICE OF DOCUMENTS: 181A.** Notwithstanding anything contained in the Act or the Articles to the contrary, where securities are held in a depository, the records of the beneficial ownership may be

# ANNUAL REPORT 2000

served by such depository on the Company by means of electronic mode or by delivery of floppies or discs."

- 8 To consider and if thought fit, to pass, with or without modification the following resolution as a **Special Resolution**:

"RESOLVED THAT pursuant to section 31 of the Companies Act, 1956, and other applicable provisions, if any, the Articles of Association of the Company be and are hereby altered as under:

- a) The following Article 58A shall be inserted after the existing Article 58 with the following marginal notes:

**RIGHT OF NOMINATION: 58A.**

- 1) Every shareholder or debenture holder of the Company, may at any time, nominate a person to whom his shares or debentures shall vest in the event of his death in such manner as may be prescribed under the Act.
- 2) Where the shares or debentures of the Company are held by more than one person jointly, joint holders may together nominate a person to whom all the rights in the shares or debentures, as the case may be shall vest in the event of death of all the joint holders in such manner as may be prescribed under the Act.
- 3) Notwithstanding anything contained in any other law for the time being in force or in any disposition, whether testamentary or otherwise, where a nomination made in the manner aforesaid purports to confer on any person the right to vest the shares or debentures, the nominee shall, on the death of the shareholder or, as the case may be on the death of the joint holders entitled to all the rights in such shares or debentures or, as the case may be, all the joint holders, in relation to such shares or debentures, to the exclusion of all other persons, unless the nomination is varied or cancelled in the manner as may be prescribed under the Act.
- 4) Where the nominee is a minor, it shall be lawful for the holder of the shares or debentures, to make the nomination to appoint any person to become entitled to shares in, or debentures of, the Company in the manner prescribed under the Act, in the event of his death, during the minority.

- b. The following Article 58B be inserted after Article 58A with the following marginal notes:

**OPTION TO NOMINEE: 58B.**

- 1) A nominee upon production of such evidence as may be required by the Board and subject as hereinafter provided, elect, either –
  - a) to register himself as holder of the shares or debentures, as the case may be; or
  - b) to make such transfer of the shares or debentures, as the deceased shareholder or debenture holder, as the case may be, could have made.
- 2) If the nominee elects to be registered as holder of the shares or debentures, himself, as the case may be, he shall deliver or send to the company, a notice in writing signed by him stating that he so elects and such notice shall be accompanied with the death certificate of the deceased shareholder or debenture holder, as the case may be.
- 3) A nominee shall be entitled to the shares, dividend, interest and other advantages to which, he would be entitled if he were the registered holder of the shares or debentures. Provided that he shall not, before being registered as a member, be entitled to exercise any right conferred by membership in relation to meetings of the company.

Provided further that the Board may, at any time give notice requiring any such person to elect either to be registered himself or to transfer the shares or debentures, and if the notice is not complied with within ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the shares or debentures, until the requirements of the notice have been complied with.

By Order of the Board of Directors

**V. SUNDER**

GM – Corporate Planning &  
Company Secretary

PLACE : BANGALORE  
DATE : 27<sup>th</sup> APRIL'2000



**Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956.****Item No. 6**

- Your company has established a state-of-the-art R & D facility for carrying out design and development activities. The entire design facility of the company works on one of the finest three dimensional CAD software in the world viz., 'Pro-Engineer'.

'Pro-Engineer' is used extensively by almost all the leading engineering and automobile companies in the world. Some of your company's customers are also users of this software.

Considering the proven strengths of your company in design and development these customers are now approaching your company to undertake pure engineering services using the Pro-Engineer software.

As this provides an exciting new diversification opportunity to your company in the field of software development and services, it would be advantageous to pursue this activity. It is therefore proposed to amend the Other Objects Clause of the Memorandum of Association to insert the above mentioned objects. Hence this resolution.

None of the directors are interested or concerned in the above resolution. Your directors commend the resolution for your approval.

**Item No.7**

Your directors have decided to dematerialise the shares of your company. This will enable your company to service the investors in a better way. The Companies Act, 1956 and the Depositories Act, 1996, relating to the issue, holding, transfer, transmission of shares and other securities have been amended to facilitate the implementation of new system.

The depository system of holding securities in an electronic form is considered to be a far safer and more convenient method for holding and trading in the securities of the company. Your company has also joined the Depository and its shares can be dematerialised and it is, therefore, proposed to alter the company's Articles of Association as set out in the above mentioned item.

None of the directors are concerned or interested in the above resolution. Your directors commend the resolution for your approval.

**Item No.8**

The Companies Act, 1956, now provides for nomination facilities to shareholders and debenture holders of a company. Accordingly new Articles are proposed to be inserted so as to enable your company to accept nomination from the shareholders and debenture holders.

None of the directors are interested or concerned in the above resolution. Your directors commend the resolution for your approval.

**NOTES**

- 1 A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and on a poll to vote instead of himself and such proxy need not be a member of the company.
- 2 The instrument of proxy for use at the Meeting must be lodged at the Registered Office of the company not LATER than 48 hours before the time fixed for the meeting.
- 3 The Register of Members and Share Transfer Books of the company will remain closed from 11<sup>th</sup> August, 2000 to 12<sup>th</sup> August, 2000 (both days inclusive).
- 4 No tax will be deducted from the dividend.
- 5 The company has appointed M/s. Karvy Consultants Limited as the Registrar & Transfer Agents. All correspondence relating to shares of the company and change of address, if any may be forwarded to them.
- 6 The dividend, if approved by the members, will be paid to those members or their mandates whose names appear on the Register of Members as on 12<sup>th</sup> August, 2000.
- 7 The Company's shares have been listed on Bombay and Bangalore Stock Exchanges and further been permitted to trade at the National Stock Exchange. The company has paid the listing fee for the years 1999-2000 and 2000-2001 to the above mentioned stock exchanges.
- 8 Members are requested to bring their copy of the Annual Report with them to the Annual General Meeting as the practice of distributing additional copies of the Report at the meeting has been discontinued.
- 9 The proceeds of bonus fractional shares will be sent to eligible shareholders by end August, 2000.

# ANNUAL REPORT 2000

## Directors' Report to Shareholders

Your directors have pleasure in presenting their Twenty Fifth Annual Report together with audited statements of accounts for the period ended 31<sup>st</sup> March, 2000.

The Financial Results of the company for the period ended 31<sup>st</sup> March, 2000 were as follows:

### Dividend

An interim dividend of 20% has already been declared and paid on **41,93,560** equity shares absorbing **Rs.83,87,120/-**. Further, an interim preference dividend of **Rs.31,25,000/-** (being 15% on 1,50,000 Preference Shares for six months period ending 31.03.1999 amounting to **Rs.11,25,000/-**, 16% on 1,50,000 Preference Shares for the six months period ending 30.09.1999 amounting to **Rs.12,00,000/-** and 16% on 1,00,000 Preference Shares for the six months period ending 31.03.2000 amounting to **Rs. 8,00,000/-**) has been declared and paid. Your Directors recommend a final dividend of 10% on **41,93,560/-** Equity Shares absorbing **Rs.41,93,560/-** for the period under report. Hence the total dividend pay out for the period under review on Equity Shares is **Rs.1,25,80,680/-** and on Preference Shares is **Rs.31,25,000/-**.

### Change of Accounting Year

The Accounting year has been changed to end on March 31<sup>st</sup>, instead of September 30<sup>th</sup> in line with the requirements of the Income-tax Act, 1961. Consequently, the period under review is for 18 months ending on 31<sup>st</sup> March, 2000. All necessary permissions have been obtained in this regard.

### Performance of your Company

The period under review has presented numerous challenges as the Indian economy is undergoing structural change. On the one hand investment in Capital Goods has been very poor, while on the other hand, there has been a massive boom in other areas such as Information Technology, consumer products and the Automotive sector.

### FINANCIAL RESULTS

The Financial Results of the company for the period ended 31<sup>st</sup> March, 2000 were as follows:

	(Rupees in Lacs)	
	Period ended 31.03.2000 (18 months)	Year ended 30.09.1998
Gross Profit (before interest, depreciation & taxation)	1515.73	993.01
Interest	711.44	344.06
Depreciation	351.53	173.87
Net Profit Before Taxation	452.76	475.06
Deferred Revenue		
Expenditure Written Off	46.79	76.86
Provision for Taxation	132.00	97.50
Net Profit After Tax	273.97	300.70
Excess provision for depreciation of earlier years.	2.87	-
Provision for Taxation for earlier years	3.77	(26.92)
Amount available for appropriation	280.61	273.78
Transfer to Debenture Redemption Reserve	-	140.00

The fluid power industry has been particularly hard hit with rapidly declining markets. Under these conditions, your company has had to rapidly develop new applications for its products to compensate for poor sales in its profitable earthmoving and industrial segments. Intense efforts by your R & D Center in cooperation with the marketing team generated a number of new products which were able to offset substantially the reduction in regular sales.

Several products were developed for the Defence sector during this period. It is significant to note that your company was awarded a National Award for Excellence in indigenisation of Defence equipment.

Your company's investments in the Automotive sector could not have come at a better time. During 1998-99 your company set up its industrial complex at Chennai, housing its subsidiary JKM Dae Rim Automotive Limited and its second aluminum foundry, Dynametal - Unit II.

During 1999 the Indian passenger car market grew an astounding 48% and the



Hyundai Santro to which JKM Dae Rim supplies 16 products, was the most successful passenger car launched in over a decade.

Even though the large investments made in our Chennai complex have depressed profits during the period under review as both units suffered normal initial losses, we are pleased to inform you that both these operations are profitable and now contribute significantly to your company's sales and profitability. Your company's dependence on the fluid power industry has also been limited by this investment.



*Udayant Malhoutra receives the National Award for Excellence in Indigenisation of Defence Equipment from Raksha Mantri George Fernandes while Lt. Gen Amarjeet Singh, DGQA, looks on*

The turnover during the period under review was **Rs.7379.76 Lacs** as against **Rs. 3874.86 Lacs** for the previous year. This when annualised reflects an increase of 27 %. Almost the entire sales growth has come from Dynametal Unit II.

#### **Research & Development**

As you are aware, your company has focussed on Research & Development and has invested in world class parametric software, a large number of machines for product development and a diverse pool of highly talented scientists for design and development.

Your Company's R & D Center has been responsible for developing a completely new range of Hydraulic Gear Pumps and Valves, Automotive Products and Defence Equipment. This in turn, has ensured that your company has continued to grow at a time when markets are shrinking.

It is our belief that only companies with strong technical competencies will survive and succeed in the liberalised economy.

#### **Quality Management System**

Your Company has been certified to ISO 9001 Standards during the period under review by Lloyds Registry for Quality Assurance. Further, your company has also been customer certified to QS 9000 Standards. Third party certification will be received during the current financial year.

#### **Deposits**

No Deposits remained unclaimed as on 31.03.2000.

#### **Subsidiary Companies**

Your company has M/s. JKM Dae Rim Automotive Limited, as its subsidiary. The Audited Statements of Account of M/s. JKM Dae Rim Automotive Limited, together with the report of the Directors and Auditors for the period ended 31<sup>st</sup> March, 2000 as required under section 212 of the Companies Act, 1956, are attached.

#### **Directors**

Under Section 256 of the Companies Act, 1956, Mr. A.B. Datar and Mr. S.H. Utamsingh retire by rotation at this Annual General Meeting and being eligible, offer themselves for re-appointment.

#### **Auditors**

M/s. Phillipos & Co., Chartered Accountants, Bangalore, retire at this Annual General Meeting and are eligible for re-appointment.

#### **Particulars of Employment**

During the period under review, relations between the employees and management remained cordial.

There are no employees drawing more than Rs.6,00,000/- or more per annum or Rs.50,000/- or more per month during the period under review.

#### **Disclosure as per Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988:**

The required particulars are set out in the annexure, forming part of the report.

By order of the Board of Directors

PLACE: BANGALORE

DATE : 17<sup>th</sup> July, 2000

**J.K. MALHOUTRA**

Chairman

# ANNUAL REPORT 2000

## Annexure to Directors' Report

Statement under section 217(1)(e) of the Companies Act, 1956 with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 forming part of the Directors' Report for the period ended 31<sup>st</sup> March, 2000.

Technology absorption, adoption and innovation:

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

- The Dynamic Knowledge Center has enabled your company to gain expertise in developing high precision engineering products.
- The JKM Farm, the first of its kind set up in private sector in the country facilitates Testing and Validation of the products developed by the company.

The above facilities have enabled the company to develop the following:

- a) Distributor Mechanism for T-72 Battle Tank.
- b) New Generation Control Valve/Lift Assembly for Tractors.
- c) Hydraulic System Trolley for Kiran/HS-748 Aircraft.
- d) Load Tolerant Hydraulic Gear Pump.

Further, in recognition of these developments, the company has bagged the following awards:

- i) **National Award for Indigenisation** from Department of Defence Production & Supplies.
- ii) **Creative Partnership Award** by DRDO for Development of the Lakshya Structural Assemblies (Pilotless Target Aircraft).
- iii) **Quality Approved Vendor Certification** from HAL.

### 2 Benefits derived as a result of the above efforts, e.g., product improvement, cost reduction, product development, import substitution etc.

All these efforts have led to product development, improvement, cost reduction and import substitution for the company as well as country.

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

#### a) Technology imported:

- Gravity Die Casting Technology for setting up **Dynametal™-II**, the Foundry division at Chennai. The technology was imported from **M/s. Dae Rim Enterprise Co. Limited, Korea**.
- Manufacture of compact Hydraulic Gear Pumps. The technology was imported from **M/s. Kayaba Industry Co. Limited, Japan**.
- Manufacture of Hydraulic Cylinders. The technology was imported from **M/s. Kayaba Industry Co. Limited, Japan**.

#### b) Year of Import: 1998

#### c) Foreign Exchange Earnings and Outgo:

During the period under report the foreign exchange outgo has been to the extent of **Rs.2,39,94,495/-** (which includes import of raw materials, components, stores and spares to the extent of **Rs.1,64,94,455/-**, capital goods to an extent of **Rs.52,53,782/-**, Foreign Travel expense **Rs.10,63,491/-**, Technical Know-how fee (net of tax) to an extent of **Rs.11,33,767/-**), while the foreign exchange earned is **Rs.53,74,226/-**.