

T H E A N N U A L

REPORT

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to fight
to endure
and
to rise above

Dynamatic® survived the



ES LIMITED

Dynamatic®

message from the managing director

The year that was...

Dear Fellow Shareholder,

On behalf of the Board of Directors of Dynamatic Technologies Limited and its subsidiaries, I take pleasure in presenting you with audited financial statements for the year 2001-2002.

The year under review has been, perhaps, the most challenging in your Company's history, with a combination of natural calamities, economic recession, heightened terrorism and the existence of war-like conditions in our immediate neighbourhood. All these events have had a profound and negative influence on your Company's sales and profitability.

Severe recession in the tractor industry
The Indian tractor industry constitutes approximately 35 percent of the global tractor market and was growing consistently over the last three decades with a double digit CAGR. With an overwhelming market share in this sector, your Company was able to ride this wave to great benefit.

The tractor industry historically accounts for two-thirds of your Company's sale of hydraulic gear pumps. A slowdown in tractor sales in the last fiscal, coupled with a huge build-up of tractor inventory, impacted your Company's sales during the year under review.

Gujarat
The year began with serious economic aftershocks following massive earthquakes in Gujarat, which is your Company's single most important market for industrial hydraulics. Consequently, sales during Q1 came to a virtual standstill, and only began to recover during Q3. The violent communal riots during Q4 ensured an immediate end to this recovery and a return to the bleak conditions experienced during Q1.

September 11 and the resultant war in Afghanistan. The unprecedented terrorist attack on the United States and the resultant war against terror unleashed in Afghanistan also gave India's economy a shock. The IT industry and the rapidly expanding services sector, which had powered the automotive boom during the first half, hit a wall. Your Company's subsidiary, JKM Dae Rim Automotive Ltd., was immediately affected by a drastic slowdown in car sales during Q3 and Q4.

Tension with Pakistan
Following the terrorist attack on Indian Parliament on December 13, tensions with Pakistan reached a crescendo with close to one million soldiers massed at the border. With the threat of war hanging over the two nuclear neighbours, travel advisories were issued by most Western nations against visiting India. This again has had a deleterious effect on the

Nation's service sector, in turn affecting sales of automobiles.

A battle for survival
In this grim environment, with sales in freefall, your Company had to rapidly adopt radical countermeasures. An urgent and immediate cost compression programme was put into place; one that would reduce costs without affecting the long-term capabilities of the Enterprise. The executive and managerial staff took voluntary pay cuts, and, in an exceptional gesture of solidarity, all unionised workers and staff agreed to accept voluntary layoffs. The total cost reduction in selling, general, and administrative overheads totalled Rs. 204.50 lacs during the year under review.

Simultaneously, efforts were made to seek out new applications and new markets for your Company's products. Export sales grew 228 percent to Rs. 198.42 lacs, whilst new applications in India delivered revenues of Rs. 91.50 lacs.

Additionally, your Company's new distribution division posted sales of ATOS™ and Walvoil™ products totalling Rs. 244.98 lacs during the year under review.

But for these countermeasures, your Company would have posted its first loss in over a decade.

Looking ahead
The good news is that, despite a continuing negative environment, your Company's efforts to grow through exports and superior distribution have resulted in powerful renewed growth. Sales of automobiles are booming and your Company's subsidiary, JKM Dae Rim Automotive Limited, is expected to post impressive figures during the next financial year.

We expect your Company to deliver superior financial results during the next financial year, as profits for Q1 and Q2 (2002-03) are expected to exceed profits for the entire year ending March 31, 2002.

More importantly, the long-term trends are extremely positive, given that we have taken all necessary care to secure your Company's market leadership, technological competence, and brand equity through these difficult times.

I take this opportunity to thank you for your continued support.



Udayant Malhoutra

Gujarat I

Earthquake
aftershock-
Sale of tractor pumps
down 32% reducing
turnover by over
Rs. 400 lacs.



SHOCK

QUAKING INDIA

Gujarat feels under a
devastating earthquake
that brings doom to
many parts of the state

2001

APRIL

MAY

Gujarat I

Earthquake
aftershock-
Sales down 26% in
Gujarat, Dynamatic
Technologies' most
important industrial
market.

COUNTERMEASURE

ATOS™

Dynamatic
Technologies
distribution division
launches ATOS™
products.

2002

JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH
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Dynatomic Technologies' distribution division launches WALVOIL™ products and compresses cost by a further one percent for the third quarter. (Cumulative gains:13%)

Board of Directors

Dynamatic Technologies Limited

Mr. J. K. Malhoutra Industrialist, Parliamentarian, Founder Chairman of the JKM Group Past President - Bombay Management Association	...	Chairman
Mr. S. H. Utamsingh Chartered Accountant, Former Head of International Computers Limited	...	Director
Mr. A. B. Datar, IAS (Retd.) Former Chief Secretary, Government of Karnataka	...	Director
Mr. Vijai Kapur Former Dy. Managing Director, GKW Limited, Past President - AIEI (now called CII)	...	Director
Mr. V. Sunder CEO and Executive Director, JKM Dae Rim Automotive Limited Held senior management positions in Dynamatic Technologies Limited including Head of Corporate Planning and Company Secretary	...	Director
Mr. N. Rajagopal Held senior management positions in Dynamatic Technologies Limited including Head of Production, Materials, R & D Depts. Director, JKM Dae Rim Automotive Limited	...	Director Operations
Mr. B. Seshnath Held senior management positions in Dynamatic Technologies Limited including Head of Marketing Dept.	...	Director Commercial
Mr. Udayant Malhoutra Industrialist, Chairman, CII National Technology Committee and CII National Council (2001-2002) Member, Board of Governors, IIT Kanpur (1997-2001)	...	President & Managing Director

JKM Dae Rim Automotive Limited

Mr. Udayant Malhoutra	...	Chairman
Mr. Hyo Kyon Lee	...	Vice Chairman
Mr. Jayant Kumar Malhoutra	...	Director
Mr. N. Rajagopal	...	Director
Mr. V. Sunder	...	CEO & Executive Director

JKM Research Farm Limited

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

Dynamatic Technologies Limited

AUDITORS

Phillipos & Co.,
Chartered Accountants, Bangalore

BANKERS

State Bank of Indore
Indian Bank
Punjab National Bank
The Shamrao Vithal Co-operative Bank Limited

REGISTRAR & TRANSFER AGENTS

Karvy Consultants Limited
51/2 TKN Complex Vanivilas Road
Opp. National College Basavangudi
Bangalore 560 004

REGISTERED OFFICE

Dynamatic Park Peenya Bangalore 560 058

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

We have examined the attached consolidated Balance Sheet of **DYNAMATIC TECHNOLOGIES LIMITED, BANGALORE**, and its subsidiaries as at 31st March 2002, the Consolidated Profit & Loss Account for the year then ended.

These financial statements are the responsibility of the Dynamatic Technologies Limited's Management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of two subsidiaries, whose financial statements reflected total assets of Rs. 3074.61 lacs as at 31st March 2002 and total revenues of Rs. 3338.16 lacs for the year then ended. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of the subsidiaries, is based solely on the report of the other auditors.

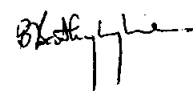
We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Dynamatic Technologies Limited and its subsidiaries included in the consolidated financial statements.

On the basis of the information and explanation given to us and on the consideration of the separate audit reports on individual audited financial statements of Dynamatic Technologies Limited and its subsidiaries, we are of the opinion that:

SUBJECT TO

- i) **Current year's profit is lower by Rs.48.99 lacs due to change in the valuation of Inventories (in respect of Dynamatic Technologies Limited) by valuing the same in accordance with Accounting Standard No.2 issued by the Institute of Chartered Accountants of India (Refer Note No.10 of Schedule XIX).**
- (a) the Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of Dynamatic Technologies Limited and its subsidiaries as at 31st March 2002;
- and
- (b) the Consolidated Profit & Loss Account gives a true and fair view of the consolidated results of operations of Dynamatic Technologies Limited and its subsidiaries for the year then ended.

For **PHILLIPOS & CO.,**
Chartered Accountants



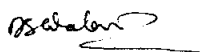
PLACE : BANGALORE
DATE : 24th AUGUST, 2002

B. V. SATHYANARAYANA
Partner

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2002

		AS AT 31-03-02 Rs.
SOURCES OF FUNDS	SCHEDULE	
1) Shareholders Fund		
(a) Capital	I	65,935,600
(b) Reserves & Surplus	II	91,308,180
		<u>157,243,780</u>
2) Minority Interest	III	
(a) Capital		21,601,400
(b) Reserves & Surplus		1,242,052
		<u>22,843,452</u>
3) Loan Funds		
(a) Secured Loans	IV	487,793,694
(b) Unsecured Loans	V	7,220,492
		<u>495,014,186</u>
	TOTAL	<u>675,101,418</u>
APPLICATION OF FUNDS		
1) Fixed Assets	VI	
(a) Gross Block		683,794,542
(b) Less: Depreciation		255,400,270
(c) Net Block		<u>428,394,272</u>
(d) Capital Work in Progress		23,943,792
2) Investments	VII	1,914,060
3) Current Assets, Loans and Advances:		
(a) Inventories	VIII	125,366,786
(b) Sundry Debtors	IX	204,643,529
(c) Cash & Bank Balances	X	8,467,442
(d) Loans & Advances	XI	74,032,469
		<u>412,510,226</u>
Less: Current Liabilities and Provisions:		
(a) Liabilities	XII	138,245,897
(b) Provisions	XIII	10,970,300
		<u>149,216,197</u>
Net Current Assets		263,294,029
4) Deferred Tax Liability (Net)		(47,685,798)
5) Miscellaneous Expenditure		5,241,063
	TOTAL	<u>675,101,418</u>
Significant Accounting Policies & Notes on Accounts	XIX	

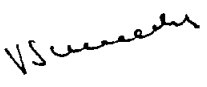
A. B. DATAR
DIRECTOR



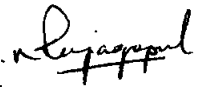
VIJAI KAPUR
DIRECTOR



V. SUNDER
DIRECTOR



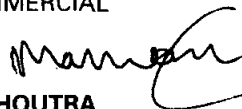
N. RAJAGOPAL
DIRECTOR OPERATIONS



B. SESHNATH
DIRECTOR COMMERCIAL



UDAYANT MALHOUTRA
PRESIDENT & MANAGING
DIRECTOR

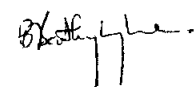


G. HARITHA
COMPANY SECRETARY



This is the Balance Sheet referred to in our report of even date.

For **PHILLIPOS & CO.,**
Chartered Accountants



B. V. SATHYANARAYANA
Partner

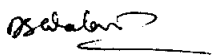
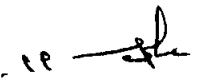

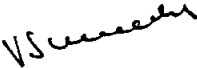
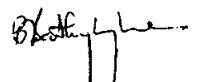
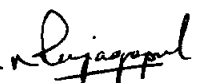
PLACE : BANGALORE
DATE : 24th AUGUST, 2002

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2002

		YEAR ENDED 31-03-02 Rs.
INCOME	SCHEDULE	
Operational Income		824,351,869
Other Income	XIV	3,627,356
Increase/(Decrease) in Stock	XV	(6,800,783)
	TOTAL	821,178,442
EXPENDITURE		
Raw Materials & Components consumed	XVI	332,059,579
Operating and Other Expenses	XVII	340,328,831
		672,388,410
OPERATING PROFIT (PBDIT)		148,790,032
Finance Charges	XVIII	72,623,053
Depreciation		50,489,500
		123,112,553
PROFIT BEFORE TAX		25,677,479
Less:		
Provision for tax - for the year		7,370,300
- Deferred IncomeTax		4,725,188
Provision for investments		7,372,240
PROFIT AFTER TAX		6,209,751
Excess (Short) provision of taxation of earlier years		(916,703)
Profit applicable to Minority Interest		1,236,427
AMOUNT AVAILABLE FOR APPROPRIATION		4,056,621
APPROPRIATIONS:		
Proposed Dividend on Preference Shares		3,600,000
Balance transferred to General Reserve		456,621
		4,056,621

Significant Accounting Policies & Notes on Accounts

XIX

A. B. DATAR DIRECTOR			This is the Profit and Loss Account referred to in our report of even date.
VIJAI KAPUR DIRECTOR		B. SESHNATH DIRECTOR COMMERCIAL	For PHILLIPOS & CO., Chartered Accountants
V. SUNDER DIRECTOR		UDAYANT MALHOUTRA PRESIDENT & MANAGING DIRECTOR	
N. RAJAGOPAL DIRECTOR OPERATIONS		G. HARITHA COMPANY SECRETARY	B. V. SATHYANARAYANA Partner
			PLACE : BANGALORE DATE : 24 th AUGUST, 2002

SCHEDULES TO CONSOLIDATED ACCOUNTS

AS AT
31-03-02
Rs.**SCHEDULE I - SHARE CAPITAL**

Authorised Capital: 320,00,000 Equity Shares of Rs.10/- each	320,000,000
5,00,000 Redeemable Cumulative Preference Shares of Rs.100/- each	50,000,000
TOTAL	370,000,000
Issued, Subscribed & Paid-Up: 41,93,560 equity shares of Rs.10/- each fully paid up (Refer Note)	41,935,600
2,40,000 Redeemable Cumulative Preference Shares of Rs.100/- each fully paid up issued to ICICI Ltd	24,000,000
TOTAL	65,935,600

Note :

Of the above shares 10,48,390 shares are allotted by way of bonus shares by capitalisation of share premium and capital redemption reserve

SCHEDULE II - RESERVES & SURPLUS

Capital Reserve:		
As per last Balance Sheet	107,327	
Less: Transferred to General Reserve	107,327	-
Subsidy Received from National Horticulture Board under Back Ended Subsidy Scheme		2,500,000
Share Premium A/c.		600,000
Debenture Redemption Reserve:		
As per last Balance Sheet	21,250,000	
Less: Transferred to General Reserve	10,625,000	10,625,000
Revaluation Reserve		19,614,864
General Reserve:		
As per last Balance Sheet	96,575,525	
Add: Transferred from Debenture Redemption Res.	10,625,000	
Transferred from Capital Reserve	107,327	
Transferred from P & L a/c	456,621	
Minority Interest -net income for the year	1,236,427	
	109,000,900	
Less: Cumulative effect on Recognition of Deferred Tax*	42,960,610	
Debit Balance in P&L A/c of JKM Reasearch Farm	6,829,922	
Minority Interest in reserves and surplus	1,242,052	57,968,316
TOTAL		91,308,180

* Refer Note No.17 of Schedule XIX

SCHEDULE III - MINORITY INTEREST

a) Share Capital	21,601,400
21,60,140 equity shares of Rs.10/- each fully paid up	
Of the above shares 977,687 shares are allotted as fully paid up pursuant to a contract without payments being received in cash	
TOTAL	21,601,400
b) Reserves & Surplus	
Share in reserves and surplus	5,625
Add : Share in current year's net income	1,236,427
TOTAL	1,242,052

AS AT
31-03-02
Rs.

SCHEDULE IV - SECURED LOANS**A) Debentures:**

IDBI - Non Convertible Debentures	(A)	42,500,000
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B) Term Loans:

The Shamrao Vithal Co.Op.Bank		4,429,450
ICICI LTD - Corporate Loan 2		40,000,000
ICICI LTD - Corporate Loan 3		40,000,000
ICICI LTD		120,103,392
Indian Overseas Bank		15,000,000

	SUB TOTAL (B)	219,532,842
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C) Cash Credit & Working Capital Term Loans:

From Banks - Cash Credit		170,973,410
Indian Bank - W.C Term Loan		9,500,000
The Shamrao Vithal Co.Op.Bank-W.C Term Loan		4,749,500
ICICI - Bills		27,500,000
SIDBI - Bills		13,037,942

	SUB TOTAL (C)	225,760,852
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	TOTAL (A+B+C)	487,793,694
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SCHEDULE V-UNSECURED LOANS

Deposits		5,486,500
Deferred Liability on account of Plant & Machinery & other Fixed Assets		933,992
Loans from Directors		800,000

	TOTAL	7,220,492
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