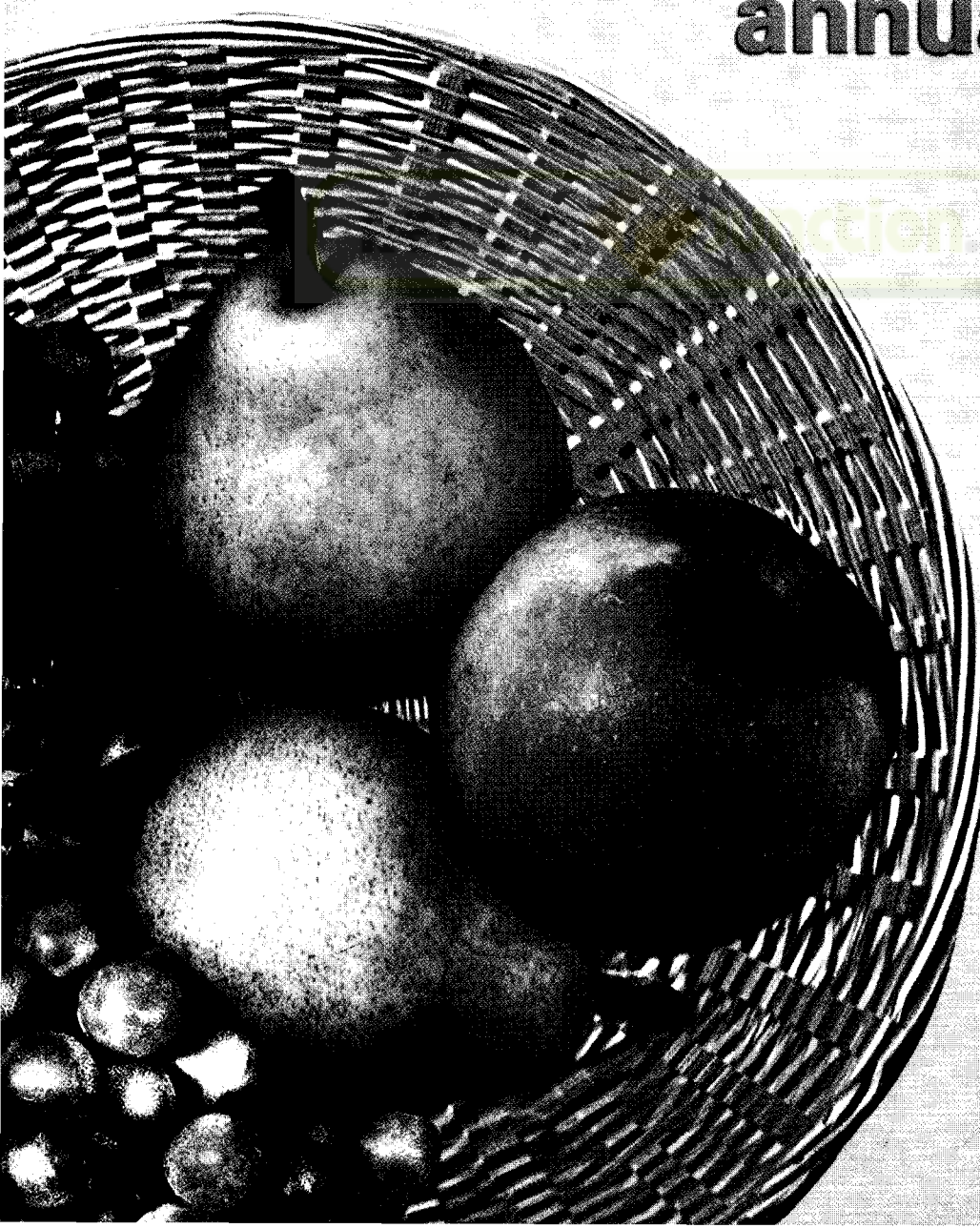




DYNAMATIC TECHNOLOGIES LIMITED

THE FRUITS OF
INNOVATION

annual report
2004



The Fruits of Innovation

"... for whatsoever a man soweth, that shall he also reap"

The Bible: Letter to the Galatians

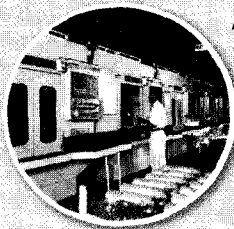
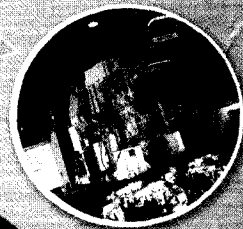
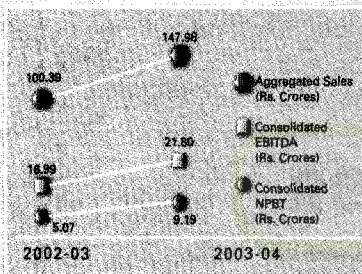
Dear Fellow Shareholder,

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 2003-2004.

During the year under review, your company along with its subsidiaries has recorded a growth rate of 47.40% in aggregated sales and 80.87% in consolidated Net Profit before Tax. Incremental sales growth at Rs. 480 million (aggregated with subsidiaries) was the highest ever recorded by your company. When one looks at your company's

performance over a 15-year timeframe (graph on opposite page), it is evident that growth has been consistently high.

As we transition from small to mid-size, the question uppermost in our minds is this: How can we be successful on an ongoing, continuous basis?

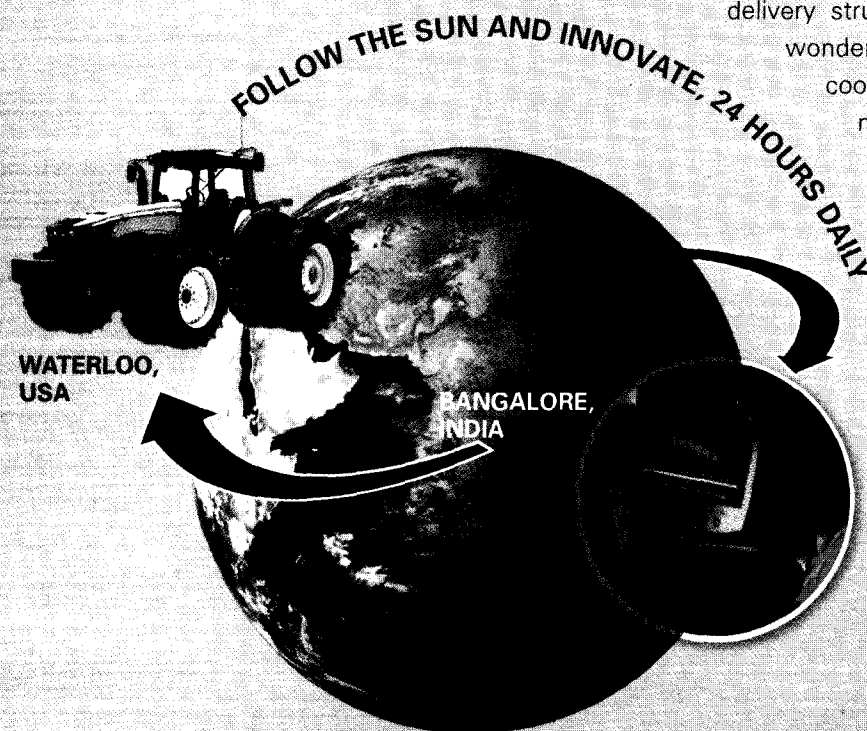


All our competencies, our energies and our resources are focused on serving our customers



At Dynamatic®, we have attempted to answer this question by focusing all our corporate competencies, our energies, and our resources on serving our customers. On understanding their needs, and in satisfying them. As products get increasingly commoditized, as customers find newer and newer choices available, it has become increasingly necessary to differentiate our products and delivery structure to suit customer needs completely. A wonderful example has been your company's cooperation with the world's leading tractor manufacturer John Deere on development of hydraulic pumps. Employing the latest web enabled collaborative tools, engineers at Bangalore were able to work on a follow-the-sun 24-hour design schedule with Deere engineers at Waterloo, Iowa, in developing a new concept in a record 57 days.

Recently, engineers from your company's various business units collaborated with each other in an interesting manner to serve our largest customer, Hyundai Motor India. Scientists from Powermetric™ Design developed an innovative Hydraulic Gravity Die-Casting machine, which was built at Dynamatic® Hydraulics, and then installed at

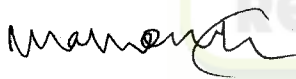


Dynametal™, where it now produces sophisticated castings. These in turn are delivered to JKM Dae Rim Automotive where they are machined for onward supply to Hyundai.

While customer-centric innovation thrives at Dynamatic®, both the aforementioned are excellent examples of thought, planning, action and result coming together in one continuous drumbeat...

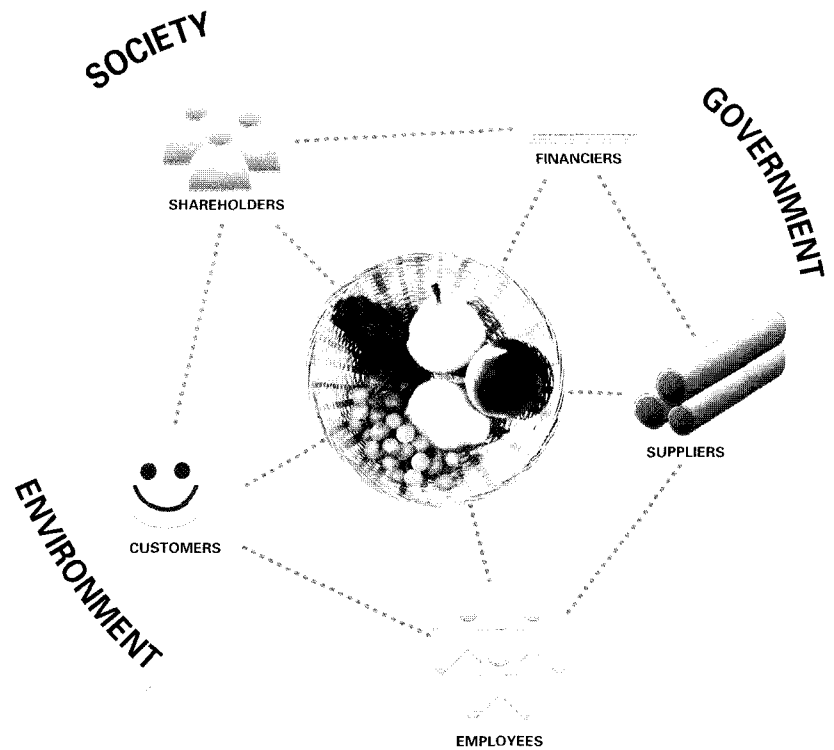
At the end of the day, our aspirations are simple: to build with integrity and innovation, and to create long-term value for all our stakeholders.

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



Udayant Malhoutra

President & Managing Director



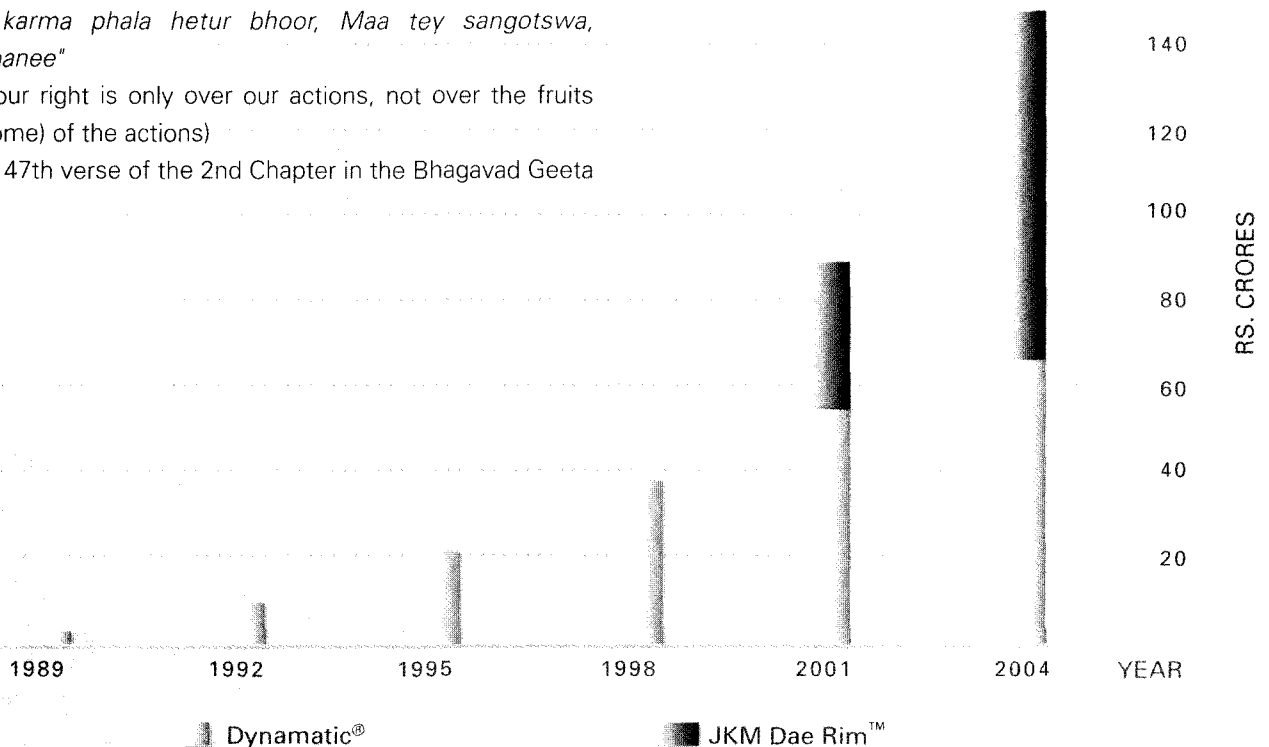
Report Junction.com

SALES GROWTH

*"Karmanyey Vaadhikaa rastey, Maa phaleshu Kadaachanaa
Maa karma phala hetur bhoor, Maa tey sangotswa,
akarmanee"*

(that our right is only over our actions, not over the fruits
(outcome) of the actions)

47th verse of the 2nd Chapter in the Bhagavad Geeta



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. A. B. Datar, IAS (Retd.) Administrator Former Chief Secretary, Government of Karnataka	...	Director
Mr. Vijai Kapur Corporate Executive Former Dy. Managing Director, GKW Limited Past President - AIEI (now called CII)	...	Director
Dr. K. Aprameyan Technocrat Former Chairman and Managing Director, Bharat Earth Movers Limited Member, National Council, Confederation of Indian Industries (CII) Member, Governing Council, Institute of Robotics and Intelligence Systems (IRIS)	...	Director
Mr. S. H. Utamsingh Chartered Accountant Former Head of International Computers Limited	...	Director
Mr. V. Sunder Company Executive CEO and Executive Director, JKM Dae Rim Automotive Limited Former Head of Corporate Planning & Company Secretary, Dynamatic®	...	Director
Mr. Udayant Malhoutra Industrialist Member, Board of Governors, IIT Kanpur (1997-2001) Chairman, CII National Technology Committee and Member, CII National Council (2001-2002)	...	President and Managing Director
Mr. N. Rajagopal Company Executive Former Head of Production, Materials, R & D Depts., Dynamatic® Director, JKM Dae Rim Automotive Limited	...	Director Operations
Mr. B. Seshnath Company Executive Former Head of Marketing Dept., Dynamatic®	...	Director Commercial

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 and Executive Director

JKM Research Farm Limited

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

Dynamatic Technologies Limited

COMPANY SECRETARY

Ms. G. Haritha

AUDITORS

Phillipos & Co.

Chartered Accountants, Bangalore

REGISTRAR & TRANSFER AGENTS

Karvy Computershare Pvt. Ltd.

51/2 TKN Complex Vanivilas Road

Opp. National College Basavanagudi Bangalore 560 004

BANKERS

State Bank of Indore

Indian Bank

Punjab National Bank

The Shamrao Vithal Co-operative Bank Limited

HSBC

ICICI Bank Limited

UTI Bank Limited

REGISTERED OFFICE

Dynamatic Park Peenya Bangalore 560 058

C O N T E N T S

CONSOLIDATED FINANCIAL STATEMENTS

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DYNAMATIC TECHNOLOGIES LIMITED

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**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, 2004, the Consolidated Profit & Loss Account and Consolidated Cash Flow Statement 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.

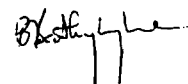
We did not audit the financial statements of two subsidiaries, whose financial statements reflected total assets of Rs 3932.44 Lacs as at 31st March 2004 and total revenues of Rs 6893.68 Lacs for the year then ended. These financial statements have been audited by other auditors whose reports have been 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.

In our opinion and to the best of our information and explanations given to us, **the said accounts subject to Note 19 in Schedule XX – B relating to change in accounting policy for leave encashment by which the profit for the year is understated by Rs.25.05 Lacs**, give a true and fair view:

- a) in the case of the Balance Sheet, of the state of affairs of Dynamatic Technologies Limited and its subsidiaries as at 31st March 2004;
- b) in the case of the Profit & Loss Account, of the Profit of Dynamatic Technologies Limited and its subsidiaries for the year ended on that date, and
- c) in the case of Cash Flow Statement, of the cash flows of Dynamatic Technologies Limited and its subsidiaries for the year ended on that date.

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



Membership No: 18148
B.V. SATHYANARAYANA
Partner

PLACE : CHENNAI
DATE : 22ND JULY, 2004

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2004

		AS AT 31-03-04 Rs.	AS AT 31-03-03 Rs.
SOURCES OF FUNDS		SCHEDULE	
1) Shareholders Fund			
(a) Capital	I	65,935,600	65,935,600
(b) Reserves & Surplus	II	135,204,826	104,737,152
		<u>201,140,426</u>	<u>170,672,752</u>
2) Minority Interest	III		
(a) Capital		21,601,400	21,601,400
(b) Reserves & Surplus		9,058,754	3,804,455
		<u>30,660,154</u>	<u>25,405,855</u>
3) Deferred Tax Liability (Net)		68,379,660	54,081,520
4) Loan Funds			
(a) Secured Loans	IV	438,320,294	430,479,333
(b) Unsecured Loans	V	56,854,103	25,885,054
		<u>495,174,397</u>	<u>456,364,387</u>
		<u>795,354,637</u>	<u>706,524,514</u>
APPLICATION OF FUNDS			
1) Fixed Assets			
(a) Gross Block	VI	873,249,824	691,945,951
(b) Less: Depreciation		<u>359,365,473</u>	<u>297,044,835</u>
(c) Net Block		513,884,351	394,901,116
(d) Capital Work in Progress		52,016,432	72,976,816
(e) Incidental Expenses during Construction period (IEDC period)		5,613,254	10,222,872
2) Investments	VII	208,153	1,914,060
3) Current Assets, Loans and Advances			
(a) Inventories	VIII	169,307,897	145,735,520
(b) Sundry Debtors	IX	250,526,860	180,354,071
(c) Cash & Bank Balances	X	17,340,379	11,270,918
(d) Loans & Advances	XI	82,906,268	76,217,007
		<u>520,081,404</u>	<u>413,577,516</u>
Less: Current Liabilities and Provisions			
(a) Liabilities	XII	269,227,166	161,275,657
(b) Provisions	XIII	36,656,578	28,436,450
		<u>305,883,744</u>	<u>189,712,107</u>
Net Current Assets		214,197,660	223,865,409
4) Miscellaneous Expenditure			
Deferred Revenue Expenditure		9,434,787	2,644,241
		<u>795,354,637</u>	<u>706,524,514</u>

Significant Accounting Policies & Notes on Accounts

XX

A. B. DATAR Director	N. RAJAGOPAL Director Operations	This is the Balance Sheet referred to in our report of even date.
S. H. UTAMSINGH Director	B. SESHNATH Director Commercial	
VIJAI KAPUR Director	UDAYANT MALHOUTRA President & Managing Director	For PHILLIPOS & CO., Chartered Accountants
V. SUNDER Director	G. HARITHA Company Secretary	
Dr. K. APRAMEYAN Director	B. V. SATHYANARAYANA Partner	PLACE : CHENNAI DATE : 22 ND JULY, 2004

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2004

		YEAR ENDED 31-03-04 Rs.	YEAR ENDED 31-03-03 Rs.
INCOME	SCHEDULE		
Sales & Services	XIV	1,347,090,457	910,152,193
Other Income	XV	7,032,051	3,532,868
Increase/(Decrease) in Stock	XVI	(3,609,155)	8,191,813
		<u>1,350,513,353</u>	<u>921,876,874</u>
EXPENDITURE			
Raw Materials & Components consumed	XVII	580,092,638	375,308,831
Operating and Other Expenses	XVIII	552,401,716	376,601,578
		<u>1,132,494,354</u>	<u>751,910,409</u>
OPERATING PROFIT (EBITDA)		<u>218,018,999</u>	<u>169,966,465</u>
Finance Charges	XIX	61,847,926	67,932,867
Depreciation		<u>64,311,712</u>	<u>51,247,355</u>
		<u>126,159,638</u>	<u>119,180,222</u>
PROFIT BEFORE TAX		<u>91,859,361</u>	<u>50,786,243</u>
Less :			
Provision for tax - for the year		23,133,608	16,928,910
- Deferred Tax		14,298,140	6,395,722
- Wealth Tax		49,766	-
Provision for diminution in the value of Investments		<u>1,750,907</u>	<u>-</u>
PROFIT AFTER TAX		<u>52,626,940</u>	<u>27,461,611</u>
Excess (Short) provision of taxation of earlier years		148,419	32,721
Profit applicable to Minority Interest		<u>5,254,299</u>	<u>2,562,403</u>
AMOUNT AVAILABLE FOR APPROPRIATION		<u>47,521,060</u>	<u>24,931,929</u>
APPROPRIATIONS			
Proposed Dividend on Preference Shares		3,600,000	3,600,000
Interim Dividend on Minority interest in Equity Shares		2,160,000	-
Proposed Dividend on Equity Shares		8,387,120	6,290,340
Tax on distributed profits (on proposed dividend)		2,560,850	1,267,200
Balance transferred to General Reserve		<u>30,813,090</u>	<u>13,774,389</u>
		<u>47,521,060</u>	<u>24,931,929</u>
Significant Accounting Policies & Notes on Accounts	XX		

A. B. DATAR
Director

N. RAJAGOPAL
Director Operations

This is the Profit & Loss account referred to in our report of even date.

S. H. UTAMSINGH
Director

B. SESHNATH
Director Commercial

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

VIJAI KAPUR
Director

UDAYANT MALHOUTRA
President &
Managing Director

V. SUNDER
Director

G. HARITHA
Company Secretary

B. V. SATHYANARAYANA
Partner

Dr. K. APRAMEYAN
Director

PLACE : CHENNAI
DATE : 22ND JULY, 2004

SCHEDULES TO CONSOLIDATED ACCOUNTS

	AS AT 31-03-04 Rs.	AS AT 31-03-03 Rs.
SCHEDULE I - SHARE CAPITAL		
Authorised Capital:		
370,00,000 Equity Shares of Rs.10/- each	370,000,000	320,000,000
5,00,000 Redeemable Cumulative Preference Shares of Rs.100/- each	<u>50,000,000</u>	<u>50,000,000</u>
	<u>420,000,000</u>	<u>370,000,000</u>
Issued, Subscribed & Paid-Up:		
41,93,560 equity shares of Rs.10/- each fully paid up (Refer Note)	41,935,600	41,935,600
2,40,000 Redeemable Cumulative Preference Shares of Rs.100/- each fully paid up issued to ICICI Bank Ltd	<u>24,000,000</u>	<u>24,000,000</u>
	<u>65,935,600</u>	<u>65,935,600</u>
Note :		
Of the above shares 1048390 shares are allotted by way of bonus shares by capitalisation of share premium and capital redemption reserve		
SCHEDULE II - RESERVES & SURPLUS		
Subsidy Received from National Horticulture Board under Back Ended Subsidy Scheme	2,500,000	2,500,000
Securities Premium A/c.	600,000	600,000
Debenture Redemption Reserve as per last Balance Sheet	8,750,000	
Less: Transferred to Gen.reserve	<u>8,750,000</u>	8,750,000
Revaluation Reserve	18,924,030	19,269,447
General Reserve:		
As per last Balance Sheet	73,617,705	
Add : Transferred from Debenture Redemption res.	8,750,000	
Transferred from P & L a/c	30,813,090	
Minority Interest - net income for the year	<u>5,254,299</u>	
	118,435,094	
Less : Minority Interest in reserves and surplus	<u>5,254,299</u>	
	<u>113,180,796</u>	73,617,705
	<u>135,204,826</u>	<u>104,737,152</u>
SCHEDULE III - MINORITY INTEREST		
a) Share Capital		
21,60,140 equity shares of Rs.10/- each fully paid up	21,601,400	21,601,400
Of the above shares 977,687 shares are allotted as fully paid up pursuant to a contract without payments being received in cash.		
b) Reserves & Surplus		
Share in reserves and surplus	3,804,455	1,242,052
Add : Share in current year's net income	<u>5,254,299</u>	<u>2,562,403</u>
	<u>9,058,754</u>	<u>3,804,455</u>

	AS AT 31-03-04 Rs.	AS AT 31-03-03 Rs.
SCHEDULE IV - SECURED LOANS		
A) Debentures:		
IDBI - Non Convertible Debentures	(A) -	35,000,000
B) Term Loans:		
ICICI Bank LTD - Corporate Loan2	20,000,000	40,000,000
ICICI Bank LTD - Corporate Loan3	25,714,285	37,924,368
Indian Bank, Peenya - Corp Loan	4,700,000	7,100,000
Punjab National Bank, Peenya-Corp Loan	6,075,000	8,100,000
State Bank of India, J.C. Road- Corp Loan	15,108,000	17,000,000
The Shamrao Vithal Co.Op.Bank-Corp Loan	2,780,018	3,747,500
The Shamrao Vithal Co.Op.Bank-Term Loan1	12,140,727	14,205,836
The Shamrao Vithal Co.Op.Bank-Term Loan2	4,257,086	4,656,359
ICICI Bank LTD	66,712,032	93,407,712
Indian Overseas Bank	27,302,157	29,099,765
The Shamrao Vithal Co.Op.Bank-Term Loan3	7,478,212	-
The Shamrao Vithal Co.Op.Bank-Term Loan4	29,864,607	-
UTI Bank-Term Loan	24,610,805	-
	(B) 246,742,929	255,241,540
C) Cash Credit & Working Capital Term Loans		
From Banks - Cash Credit/Overdraft	172,559,675	129,226,846
SIDBI - Bills	14,438,432	6,973,284
	(C) 186,998,107	136,200,130
D) Vehicle Loans	(D) 4,579,258	4,037,663
	(A + B + C + D) 438,320,294	430,479,333

SCHEDULE V - UNSECURED LOANS

Deposits	7,867,500	6,309,500
Loan from Director	800,000	800,000
Intercompany Deposits	10,106,541	-
Sales Tax Liability - Deferred	17,915,434	10,006,510
HSBC Bank - Bill Discounting	19,502,942	8,769,044
	56,854,103	25,885,054