

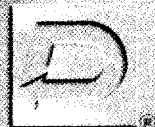
ANNUAL REPORT 2004-05

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COMPLEXITY

COMPETENCE

COMPASSION



DYNAMATIC TECHNOLOGIES LIMITED

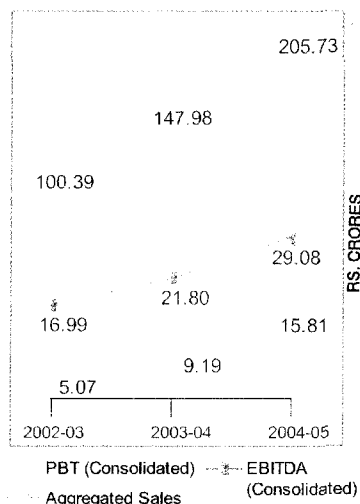
Complexity, Competence, Compassion...

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 2004-2005.

During the year under review, your company along with its subsidiaries has recorded a growth rate of 39.03% in aggregated sales and 72.10% in consolidated Net Profit before Tax.



Incremental sales growth at Rs. 577.5 million (aggregated with subsidiaries) was the highest ever recorded by your company.

This growth is consistent with your company's performance over the last 15 years, which has been driven by ever growing complexity, competence and compassionate values.

It is not because things are difficult that we do not dare, it is because we do not dare that they are difficult.

- Seneca

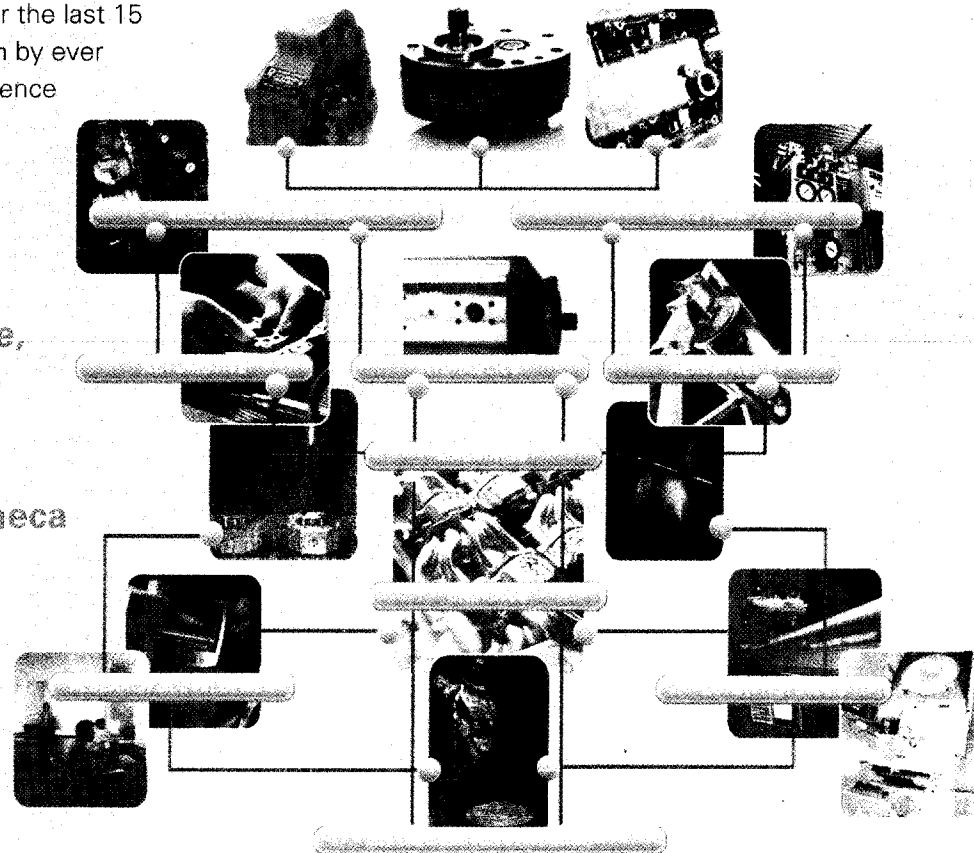
Your company serves four broad industry groups, Automotive, Aerospace and Defence, Agricultural Machines and Construction Equipment. It is vertically

integrated from production of non-ferrous alloys, casting of these materials, to the design and manufacture of components, modular assemblies and complete systems. The complexity of your company is best understood by examining its evolution.

Fifteen years ago, Dynamatic Hydraulics Limited as your company was then known, was a single product manufacturer. With sales of less than Rs. 30 million per annum, your company served a handful of tractor OEMs through the supply of Hydraulic Gear Pumps.

In 1991, a small R&D facility was set up to develop new iterations that would find application outside the tractor industry. This was the first small step in a journey of adventure and discovery, as we grew the business into other challenging areas that were technology intensive.

After facing severe material shortages in the early 1990's, your company established a small non-ferrous foundry at Bangalore. This gave us a strategic advantage over our competitors and eventually



became the Dynametal™ Division at Chennai. From a position of weakness, your company's Hydraulic Division has become Asia's largest manufacturer of Hydraulic Gear Pumps, and now aspires to lead the world in this business in the next few years.

In 1998, your company established JKM Dae Rim Automotive Limited, a 73% owned subsidiary in partnership with Dae Rim Enterprise Co. Limited, Korea. This business is now the largest in your company's portfolio.

Leveraging off your company's engineering skills, a small aerospace and defence business was established to support research and development by various defence PSUs. In an era where the government is now encouraging private sector participation, your company has a head start in an exciting new industry.

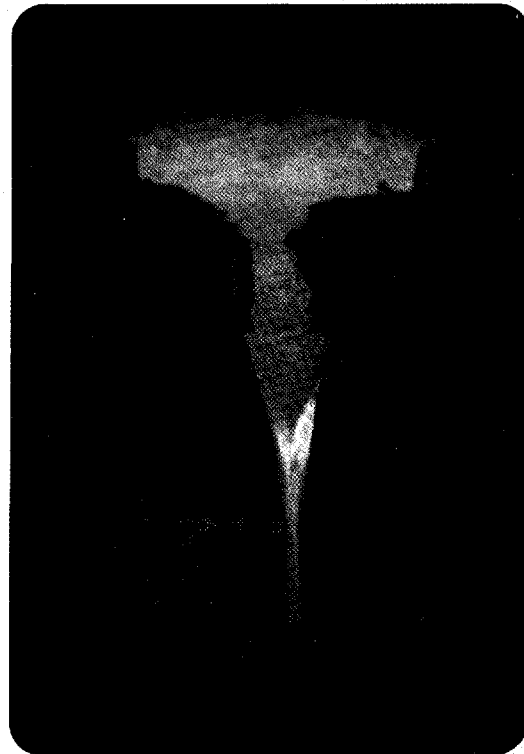
A man's mind, stretched by a new idea, can never go back to its original dimension.

- Oliver Wendell Holmes

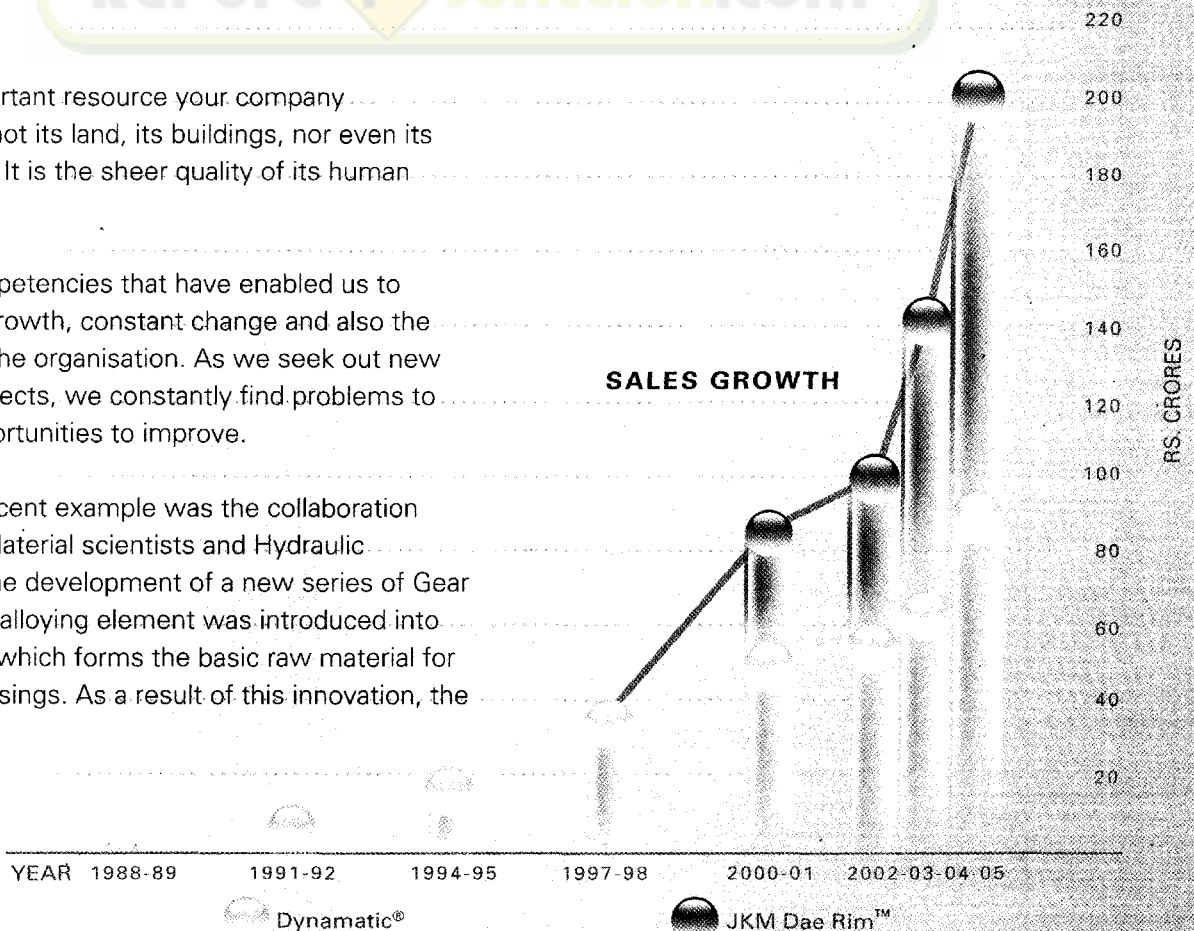
The most important resource your company possesses, is not its land, its buildings, nor even its bank balances. It is the sheer quality of its human competencies.

It is these competencies that have enabled us to manage high growth, constant change and also the complexity of the organisation. As we seek out new business prospects, we constantly find problems to solve, and opportunities to improve.

A wonderful recent example was the collaboration between our Material scientists and Hydraulic designers on the development of a new series of Gear pumps. A new alloying element was introduced into the aluminium which forms the basic raw material for gear pump housings. As a result of this innovation, the



tensile strength of the material increased by over 30% and elongation characteristics increased by over 4 times. Consequently, your company was able to increase the pressure rating of its pumps, without increasing the raw material.



Another great example relates to the heat traps developed on the holding furnaces at Dynametal™. This innovation has resulted in a 3% reduction in consumption of power at the foundry. This not only results in substantial cost savings, it also contributes to the sustainability of the enterprise.

Both these examples required minimal capital, and have resulted in generation of disproportionate value to your company. Such innovations take place regularly at your company.

The question always asked of us is how we are able to attract, enthuse and deploy human talent in the manner illustrated above.

You must be the change you wish to see in the world.

- Mahatma Gandhi

The secret to attracting and motivating talent lies in the DNA of your company, in its compassionate values and actions. We have always sought ways to make a difference in the communities we serve.

On the morning of 26th December 2004, a Tsunami hit the coastline of Tamil Nadu. The coastal village of Nemellikuppam is located in Kanchipuram District, about 30 kms away from JKM Park which houses JKM Dae Rim and Dynametal™.

Located on the waterfront, it bore the full force of nature's fury. Concrete and stone walls were knocked down and washed away like driftwood.



Fishing boats were smashed and nets washed away.

Immediately, your company started mobilizing its resources on a war footing to provide urgent and immediate relief to the stricken village. An ad-hoc project team was created under the name JKM Relief.

By 29th December, JKM Relief had established a community kitchen and



installed tanks filled with potable water. This prevented any outbreak of infections. Residents were moved to safer ground away from the seashore, and a medical camp was established at the village school in association with the Apollo Hospital.



Over the next two weeks, JKM Relief worked hand-in-hand with residents of the village to clear debris and to rebuild village infrastructure. Keen to get fishermen

back into their regular activities, JKM Relief undertook repair work on the boats, engines and replacement of fishnets. The village temple was repaired, and re-opened on Pongal. Immediately thereafter, the first two fishing boats were launched into the sea carrying the



Honourable Finance Minister of Tamil Nadu, Mr. Ponniyan, the fishermen and some of us.



As our destiny unfolds, we remain committed to building your company by enhancing its complexity, competence and compassion on a continual basis.

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

Udayant Malhoutra

Udayant Malhoutra

President & Managing Director

BOARD OF DIRECTORS



J K Malhoutra
Chairman of the Board, DTL
Member, Audit Committee
Director, JDAL



Vijai Kapur
Director, DTL
Chairman, Audit Committee
Chairman, Remuneration
Committee



**Air Chief Marshal (Retd.)
S Krishnaswamy**
Director, DTL
Member, Audit Committee
Member & Alternate Chairman,
Technical Development Committee



Dr K Aprameyan
Director, DTL
Chairman, Technical
Development Committee
Member & Alternate
Chairman, Audit Committee
Member & Alternate
Chairman,
Remuneration Committee
Director, JDAL



S Utamsingh
Director, DTL
Chairman, Shareholders
Committee
Member,
Remuneration
Committee



Udayant Malhoutra
President & Managing Director, DTL
Member, Remuneration Committee
Member, Technical Development
Committee
Member, Shareholders Committee
Chairman, JDAL
Chairman, JKM Research Farm Ltd



V Sunder
Director, DTL
Member, Audit Committee
Member, Shareholders Committee
CEO & ED, JDAL
Director, JKM Research Farm Ltd



N Rajagopal
Director Operations, DTL
Member, Technical
Development Committee



**Air Cmde (Retd)
Ravish Malhotra**
Chief Operating Officer
& SBU Head
Dynamatic Aerospace™



Anil Kumar Katti
Sr. General Manager
& SBU Head
Powermetric™ Design



K R Srinivasan
General Manager
Finance & Corporate Affairs
JDAL



B Seshnath
Director Commercial
DTL
Member, Technical
Development
Committee



P K Ray Choudhury
Sr. General Manager
Engineering Head - DTL
Research & Development



G Parasurami Reddy
Vice President
Dynamatic Aerospace™



S K Kapur
Vice President
Corporate Affairs, DTL



G Srinivasan
General Manager
Operations
JDAL



G V Gururaj
General Manager
Marketing
Dynamatic® Hydraulics



P S Ramesh
Sr. General Manager
& Operations
Head - Dynamatic® Hydraulics



Hyoung Seop Lee
General Manager
Technical
JDAL



Ram Mohan
General Manager Finance
Dynamatic Technologies



V K Heblikar
General Manager
Head - Material Sciences
DTL

SENIOR MANAGEMENT

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. Vijai Kapur Management Consultant Former Dy. Managing Director, GKW Limited Past President - AIEI (now called CII)	...	Director
Mr. S. H. Utamsingh Chartered Accountant Former Head of International Computers Limited	...	Director
Dr. K. Aprameyan Distinguished Technocrat Former Chairman and Managing Director, Bharat Earth Movers Limited Former Member, National Council, Confederation of Indian Industries (CII) Member, Governing Council, Institute of Robotics and Intelligence Systems (IRIS)	...	Director
Air Chief Marshal (Retd.) S Krishnaswamy Distinguished Former Head of Defence Services Chairman, Chiefs of Staff Committee, 2004 Chief of Air Staff, Indian Air Force, 2002-04	...	Director
Mr. V. Sunder Company Executive CEO and Executive Director, JKM Dae Rim Automotive Limited Former Head of Corporate Planning & Company Secretary of Dynamatic®	...	Director
Mr. N. Rajagopal Company Executive Former Head of Production, Materials, R & D Depts. at Dynamatic® Former Director, JKM Dae Rim Automotive Limited	...	Director Operations
Mr. B. Seshnath Company Executive, Former Head of Marketing Dept. at Dynamatic®	...	Director Commercial
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, Fluid Power Society of India, 2004-06	...	President and Managing Director

JKM Dae Rim Automotive Limited

Mr. Udayant Malhoutra	...	Chairman
Mr. Hyo Kyon Lee	...	Vice Chairman
Mr. Jayant Kumar Malhoutra	...	Director
Dr. K. Aprameyan	...	Director
Mr. V. Sunder	...	CEO and Executive Director

JKM Research Farm Limited

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

Dynamatic Technologies Limited

COMPANY SECRETARY

Ms. G. Haritha

AUDITORS

Phillippos & Co.,
Chartered Accountants, Bangalore

REGISTRAR & TRANSFER AGENTS

Karvy Computershare Pvt. Ltd.
51/2 TKN Complex Vanivilas Road
Opp. National College Basvanagudi Bangalore 560 004

BANKERS

UTI Bank
Punjab National Bank
ICICI Bank
Kotak Mahindra Bank

REGISTERED OFFICE

Dynamatic Park Peenya Bangalore 560 058

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DYNAMATIC TECHNOLOGIES LIMITED

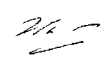
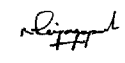
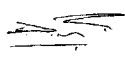
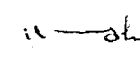
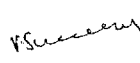
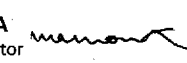
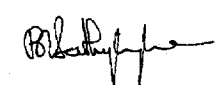
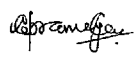

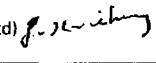
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CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2005

		AS AT 31-03-05 Rs.	AS AT 31-03-04 Rs.
SOURCES OF FUNDS		SCHEDULE	
1) Shareholders Fund			
(a) Capital	I	41,935,600	65,935,600
(b) Reserves & Surplus	II	207,977,500	135,204,826
		249,913,100	201,140,426
2) Minority Interest	III		
(a) Capital		21,601,400	21,601,400
(b) Reserves & Surplus		18,398,949	9,058,754
		40,000,349	30,660,154
3) Deferred Tax Liability (Net)		87,496,650	68,379,660
4) Loan Funds			
(a) Secured Loans	IV	579,041,947	438,320,294
(b) Unsecured Loans	V	71,244,797	56,854,103
		650,286,744	495,174,397
		1,027,696,843	795,354,637
APPLICATION OF FUNDS			
1) Fixed Assets			
(a) Gross Block	VI	1,148,066,804	873,249,824
(b) Less: Depreciation		433,027,964	359,365,473
(c) Net Block		715,038,840	513,884,351
(d) Capital Work in Progress		19,125,458	52,016,432
(e) Incidental Expenses during Construction period (IEDC period)		4,815,712	5,613,254
2) Investments	VII	207,653	208,153
3) Current Assets, Loans and Advances			
(a) Inventories	VIII	236,404,265	169,307,897
(b) Sundry Debtors	IX	339,345,817	250,526,860
(c) Cash & Bank Balances	X	29,745,155	17,340,379
(d) Loans & Advances	XI	100,341,206	82,906,268
		705,836,443	520,081,404
Less: Current Liabilities and Provisions			
(a) Liabilities	XII	374,874,320	269,227,166
(b) Provisions	XIII	47,205,731	36,656,578
		422,080,051	305,883,744
Net Current Assets		283,756,392	214,197,660
4) Miscellaneous Expenditure			
Deferred Revenue Expenditure		4,752,788	9,434,787
		1,027,696,843	795,354,637



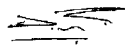
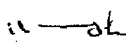
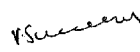

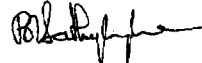
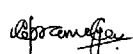

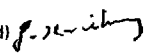
Significant Accounting Policies & Notes on Accounts

XX

J.K. MALHOUTRA Chairman		N. RAJAGOPAL Director Operations		This is the Balance Sheet referred to in our report of even date. For PHILLIPPOS & CO., Chartered Accountants
S.H. UTAMSINGH Director		B. SESHNATH Director Commercial		
V. SUNDER Director		UDAYANT MALHOUTRA President & Managing Director		
Dr. K. APRAMEYAN Director Air Chief Marshal		G. HARITHA Company Secretary		
S. KRISHNASWAMY (Retd) Director		PLACE: BANGALORE DATE : 7 th JUNE, 2005		DATE : 18 th JUNE, 2005

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2005

		YEAR ENDED 31-03-05 Rs.	YEAR ENDED 31-03-04 Rs.
INCOME	SCHEDULE		
Sales & Services	XIV	1,866,973,799	1,347,090,457
Other Income	XV	7,600,700	7,032,051
Increase/(Decrease) in Stock	XVI	13,209,009	(3,609,155)
		1,887,783,508	1,350,513,353
EXPENDITURE			
Raw Materials & Components consumed	XVII	856,056,801	580,092,638
Operating and Other Expenses	XVIII	740,896,532	552,401,716
		1,596,953,333	1,132,494,354
OPERATING PROFIT (EBITDA)		290,830,175	218,018,999
Finance Charges	XIX	56,877,861	61,847,926
Depreciation		75,859,741	64,311,712
		132,737,602	126,159,638
PROFIT BEFORE TAX		158,092,573	91,859,361
Less :			
Provision for tax - for the year		34,827,517	23,133,608
- Deferred Tax		19,116,990	14,298,140
- Wealth Tax		106,168	49,766
Provision for diminution in the value of Investments		-	1,750,907
PROFIT AFTER TAX		104,041,898	52,626,940
Excess/(Short) provision of taxation of earlier years		3,411	148,419
Profit applicable to Minority Interest		9,340,195	5,254,299
AMOUNT AVAILABLE FOR APPROPRIATION		94,705,114	47,521,060
APPROPRIATIONS:			
Proposed Dividend on Preference Shares		-	3,600,000
Interim Dividend on Minority interest in Equity Shares		3,240,000	2,160,000
Interim Dividend on Equity Shares		6,290,340	-
Proposed Dividend on Equity Shares		8,387,120	8,387,120
Proposed Dividend on Minority interest in Equity Shares		1,080,000	-
Tax on distributed profit		4,089,563	2,560,850
Balance transferred to General Reserve		71,618,091	30,813,090
		94,705,114	47,521,060
Significant Accounting Policies & Notes on Accounts	XX		

J.K. MALHOUTRA Chairman		N. RAJAGOPAL Director Operations		This is the Profit & Loss Account referred to in our report of even date. For PHILLIPOS & CO., Chartered Accountants
S.H. UTAMSINGH Director		B. SESHNATH Director Commercial		
V. SUNDER Director		UDAYANT MALHOUTRA President & Managing Director		
Dr. K. APRAMEYAN Director		G. HARITHA Company Secretary		
Air Chief Marshal S. KRISHNASWAMY (Retd) Director		PLACE: BANGALORE DATE : 7 th JUNE, 2005		PLACE: BANGALORE DATE : 18 th JUNE, 2005

	AS AT 31-03-05 Rs.	AS AT 31-03-04 Rs.
SCHEDULE IV - SECURED LOANS		
A) Term Loans:		
ICICI BANK Ltd - Corporate Loan 2	-	20,000,000
ICICI BANK Ltd - Corporate Loan 3	-	25,714,285
Indian Bank, Peenya - Corp Loan	-	4,700,000
Punjab National Bank, Peenya-Corp Loan	-	6,075,000
State Bank of Indore, J.C. Road- Corp Loan	-	15,108,000
The Shamrao Vithal Co.Op.Bank-Corp Loan	-	2,780,018
The Shamrao Vithal Co.Op.Bank-Term Loan 1	-	12,140,727
The Shamrao Vithal Co.Op.Bank-Term Loan 2	-	4,257,086
ICICI BANK Ltd	66,629,344	66,712,032
Indian Overseas Bank	-	27,302,157
The Shamrao Vithal Co.Op.Bank-Term Loan 3	-	7,478,212
The Shamrao Vithal Co.Op.Bank-Term Loan 4	-	29,864,607
UTI Bank-Term Loan 1	34,610,805	24,610,805
Kotak Mahindra Bank Limited - Term Loan	33,865,028	-
UTI Bank- Term Loan 2	45,669,988	-
Punjab National Bank - Term Loan	31,171,704	-
Infrastructure Leasing & Financial Services Limited	85,000,000	-
GE Capital Services India	18,989,998	-
HDFC Bank - Foreign Currency Non Repatriable Loan	60,000,000	-
(A)	375,936,867	246,742,929
B) Cash Credit & Working Capital Loans		
From Banks - Cash Credit/Overdraft	193,186,013	172,559,675
SIDBI - Bills	-	14,438,432
(B)	193,186,013	186,998,107
C) Vehicle Loans		
(C)	9,919,067	4,579,258
(A + B + C)	579,041,947	438,320,294

SCHEDULE V-UNSECURED LOANS

Deposits	10,630,500	7,867,500
Loan from Director	800,000	800,000
Loans from Others	143,056	661,686
Intercorporate Deposits	10,104,375	10,106,541
Sales Tax Liability - Deferred	29,566,866	17,915,434
HSBC Bank - Bill Discounting	-	19,502,942
Standard Chartered Bank	20,000,000	-
	71,244,797	56,854,103