

ANNUAL REPORT
2006-07
DYNAMATIC TECHNOLOGIES LIMITED

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DYNAMATIC TECHNOLOGIES LIMITED

ANNUAL REPORT 2006-07

There is nothing impossible to him who will try.

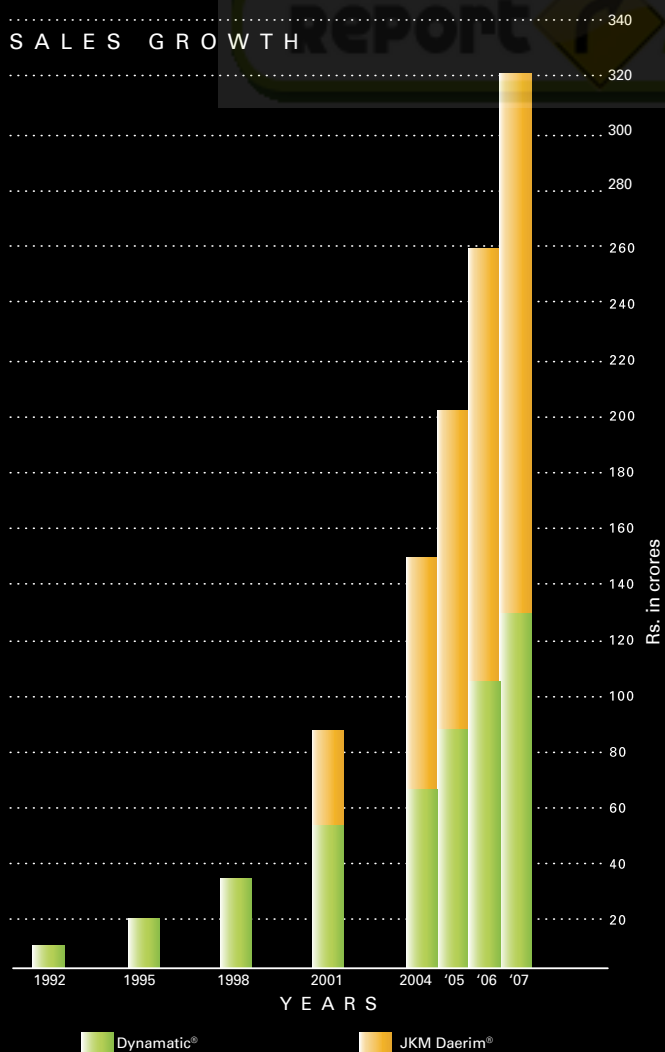
- Alexander the Great

Dear Fellow Shareholder,

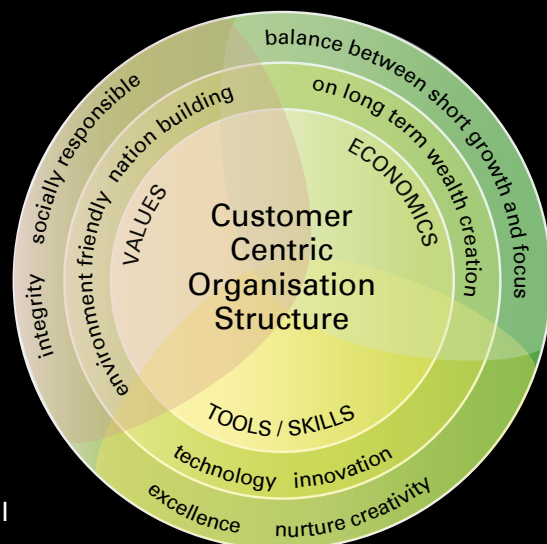
On behalf of the Board of Directors of Dynamatic Technologies Limited and its Subsidiaries, I take pleasure in presenting you with the audited financial statements for the year 2006-2007.

During the year under review, your Company along with its Subsidiaries has recorded a growth rate of 23.13% in aggregated sales. Gross Sales of Rs. 3,191.5 Million (aggregated with Subsidiaries) was the highest ever recorded by your Company.

The graph below shows your Company's growth over the past 15 years. This growth has come largely on account of your Company's focus on



developing skillsets required by an increasingly sophisticated Indian marketplace. Additionally, all processes and facilities have been custom-tailored to meet the needs of your Company's OEM customers.



Today, your Company is a leader in its fields of endeavour in the Indian sub-continent. In addition to the strong growth of the Indian economy, your Company's next cycle of expansion will come as a result of its globalisation strategies.

Action expresses priorities.

- Mahatma Gandhi

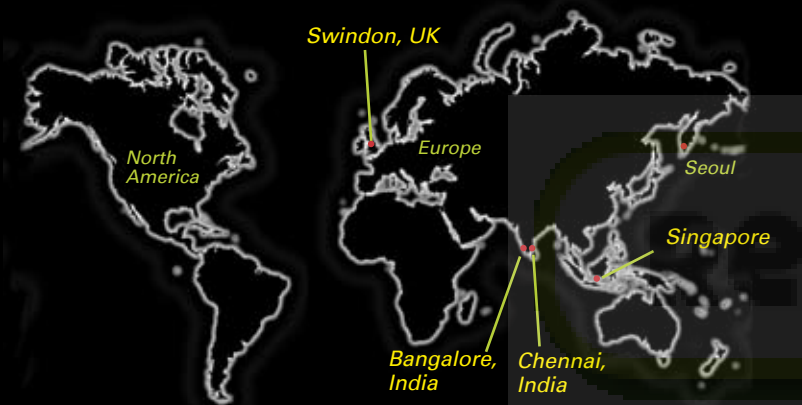
The past year has been one, in which the Board and Senior Management have been exercised with establishing your Company's growth infrastructure.

The JKM Science Center was inaugurated on 28th February, 2007. This is an integrated research and development facility that is involved in material science, new product design and development, production



optimization, prototyping and test validation. Along with our manufacturing capabilities in automotive, hydraulics, aeronautics and metallurgy, the JKM Science Center enables your Company to provide end-to-end solutions built uniquely around your customers' needs.

Your Company's Subsidiary, JKM Daerim® Automotive has embarked upon substantial expansion of its manufacturing facilities near Chennai. A number of new products have been developed for Hyundai, TATA, Honeywell Garrett and Cummins. In addition to Hyundai's own expansion program, Mahindra, Renault and Nissan are all setting up greenfield facilities at Chennai,



Dynamatic Technologies Limited, directly or through its Subsidiaries is incorporated at Bangalore, Chennai, Singapore and Swindon (UK). During the year ahead, a comprehensive sales and service network is being established in North America, Continental Europe and South Korea

and by 2009, the Chennai region will produce as many cars as were produced nationally in 2007. In addition to JKM Daerim's technical and organizational capabilities, geographical proximity to major OEM's will create substantial growth opportunities in future.

JKM Daerim® Automotive Limited is the largest business in your Company's portfolio. It is now proposed that this subsidiary be merged with Dynamatic Technologies Limited in order to have a unified Balance Sheet with all the attendant benefits of size.

During the year under review, your



Architect's rendition of JKM Daerim's new plant near Chennai, which is nearing completion

Company initiated negotiations to acquire a world-class manufacturing plant in the United Kingdom. On June 15, 2007, your Company successfully completed the acquisition of the manufacturing facilities of Sauer Danfoss Limited, UK, through its Subsidiary, Dynamatic Limited, UK. This move has provided Dynamatic® with a global sales footprint, as well as a manufacturing facility at the customers' doorstep. Your Company has also gained an excellent engineering laboratory with a large amount of intellectual property.

The Board of Directors believe that this acquisition will grant Dynamatic® quick and easy access to the European and US markets, bring in new OEM customers while enhancing your Company's potential to develop its aftermarket. Your Company has also acquired broader technologies to support its overall business, in addition to benefiting through inorganic growth with a better synergic effect.



Dynamatic Limited, UK

Integrated Design, Engineering and Manufacturing Services built around Customers' needs

1. Sophisticated 3-Dimensional Design and Engineering
2. Optimisation for Manufacturing
3. Manufacturing of Detail Parts
4. Aerospace Certified Heat Treatment
5. Non Destructive Testing
6. Aerospace Certified Painting
7. Assembly of Structures



As your Company globalises, its human resource base will become more diverse, enabling it to tap into a wider pool of experience and knowledge. Its geographical spread will enable it to serve its customers wherever they are located, and to respond to customer needs locally. This by itself is a big growth driver for your Company.

Your Company has signed a teaming agreement with Northrop Grumman Corporation, one of the world's most respected Defence companies. A letter of intent with Spirit AeroSystems, the world's largest manufacturer of Aerostructures, is currently being acted upon to create a large export opportunity. A MoU has been signed with Cobham PLC, one of the leading British Aerospace companies. Clearly, there are large opportunities in front of your Company. The graphic above shows how Dynamatic Aerospace® and Powermetric® Design are collaborating to offer Integrated Design, Engineering and Manufacturing services built around customers' needs.

All the processes employed by your Company in its various businesses are sophisticated, difficult and challenging, and it is a tribute to the Management,

Staff and Workers that they are able to succeed in delivering results on a continuous basis.

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

Udayant Malhoutra
Chief Executive Officer
and Managing Director



Dynamatic Technologies Limited

Chairman

Mr. J. K. Malhoutra
Industrialist, Parliamentarian
Founder Chairman of the JKM Group
Past President – Bombay Management Association

Director

Mr. Vijai Kapur
Management Consultant
Former Dy. Managing Director, GKW Limited
Past President – AIEI (now called CII)

Director

Dr. K. Aprameyan
Distinguished Technocrat
Former Chairman and Managing Director,
Bharat Earth Movers Limited
Former Member, National Council, Confederation
of Indian Industries (CII)
Former Member, Governing Council, Institute of Robotics
and Intelligence Systems (IRIS)

Director

Air Chief Marshal S. Krishnaswamy (Retd.)
Distinguished Former Head of Indian Defence Services
Chairman, Chiefs of Staff Committee, 2004
Chief of Air Staff, Indian Air Force, 2002-04

Director

Ms. Shanti Ekambaram
Group Head- Wholesale Banking,
Kotak Mahindra Bank Ltd
Former Executive Director and CEO, Kotak Mahindra
Capital Company Limited

Director

Mr. Raymond Keith Lawton
Company Executive
Executive Director & Chief Operating Officer,
Dynamatic Limited, UK
Former Executive Chairman,
Sauer Danfoss, (Swindon unit), UK

Director

Mr. B. Seshnath
Company Executive
Executive Director & Chief Operating Officer,
JKM Daerim® Automotive Limited
Former Director Commercial, Dynamatic®
Former Head of Marketing Dept, Dynamatic®

President & Group Chief Financial Officer

Mr. V. Sunder
Company Executive
Former CEO and Executive Director,
JKM Daerim® Automotive Limited
Former Head of Corporate Planning &
Company Secretary of Dynamatic®

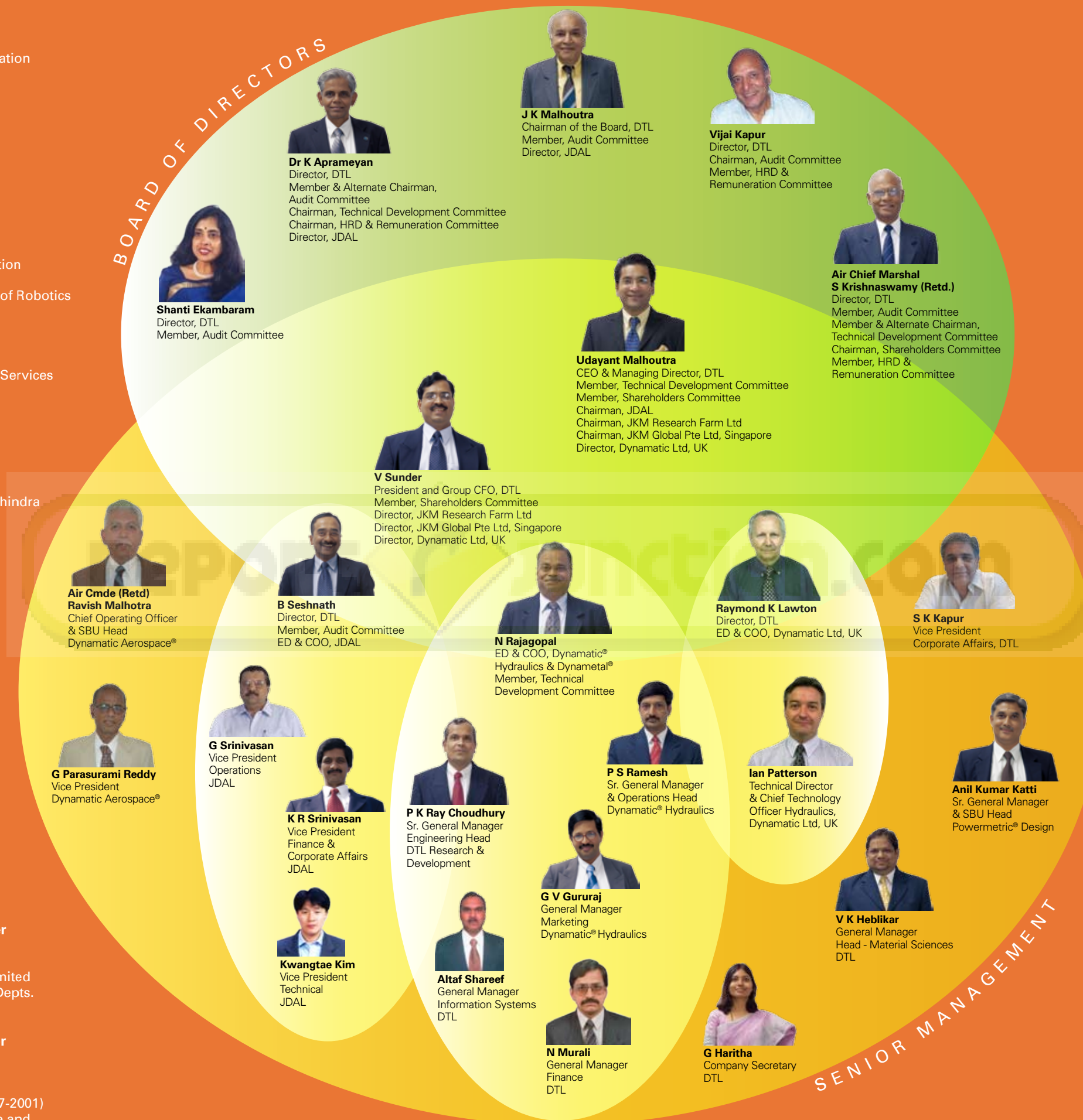
Executive Director & Chief Operating Officer

Mr. N. Rajagopal
Company Executive
Former Director, JKM Daerim® Automotive Limited
Former Head of Production, Materials, R & D Depts.
at Dynamatic®

Chief Executive Officer & Managing Director

Mr. Udayant Malhoutra
Industrialist
Chairman, JKM Daerim® Automotive Limited
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, 2006-08

C O R P O R A T E S T R U C T U R E



JKM Daerim® Automotive Limited

Chairman

Mr. Udayant Malhoutra
Vice-Chairman
Mr. Hyo Kyon Lee

Director

Mr. J. K. Malhoutra

Director

Dr. K. Aprameyan

Executive Director &

Chief Operating Officer

Mr. B. Seshnath

Auditors

Price Waterhouse & Co.
Chartered Accountants, Bangalore

JKM Research Farm Limited

Chairman

Mr. Udayant Malhoutra

Director

Mrs. Pramilla Malhoutra

Director

Mr. V. Sunder

Auditors

B N Govinda Prasad
Chartered Accountants, Bangalore

JKM Global Pte Limited (Singapore)

Chairman

Mr. Udayant Malhoutra

Director

Mr. V. Sunder

Director

Mr. Lim Tiong Beng

Auditors

RSM Chio Lim., Singapore,
Certified Public Accountants

Dynamatic Limited (UK)

Director

Mr. Michael John Handley

Director

Mr. V. Sunder

Director

Mr. Udayant Malhoutra

Executive Director &

Chief Operating Officer

Mr. Raymond Keith Lawton

REGISTERED OFFICE

Dynamatic Park Peenya
Bangalore 560 058

AUDITORS

Price Waterhouse & Co.,
Chartered Accountants, Bangalore

COMPANY SECRETARY

Ms. G. Haritha

REGISTRAR & TRANSFER AGENTS

Karvy Computershare Pvt. Ltd.
Reliance Cyber Villa, Plot No. 17-24
Vittal Rao Nagar, Madhapur,
Hyderabad 500 081

BANKERS

Kotak Mahindra Bank
AXIS Bank (formerly known as UTI Bank)
Punjab National Bank
Standard Chartered Bank
Citibank N.A.

Your Company's Organisational Structure is based on a network of highly talented people who have been empowered to deliver results. A concerted effort has been made to remove hierarchy in everything we do.

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DYNAMATIC TECHNOLOGIES LIMITED

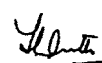
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PLEASE LIFT FOLDOUT FOR CORPORATE STRUCTURE

AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF DYNAMATIC TECHNOLOGIES LIMITED

1. We have audited the attached consolidated balance sheet of Dynamatic Technologies Limited and its subsidiaries (Dynamatic Technologies Limited Group) as at March 31, 2007, the consolidated profit and loss account for the year ended on that date annexed thereto, and the consolidated cash flow statement for the year ended on that date, which we have signed under reference to this report. These consolidated financial statements are the responsibility of Dynamatic Technologies Limited's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. 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 financial statements are free of material misstatement. 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets of Rs.40,288,251 as at March 31, 2007, total revenues of Rs.4,200,000 and net cash inflow amounting to Rs.1,181,115 for the year ended on that date (before eliminations on consolidation). These financial statements and other information of these subsidiaries 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 these subsidiaries, is based solely on the report of the other auditors.
4. We report that the consolidated financial statements have been prepared by Dynamatic Technologies Limited's management in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements, issued by The Institute of Chartered Accountants of India.
5. Based on our audit and on consideration of the reports of other auditors on separate financial statements and on the other financial information of the components, in our opinion and to the best of our information and according to the explanations given to us, the attached 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 Dynamatic Technologies Limited Group as at March 31, 2007;
 - ii) in the case of the consolidated profit and loss account, 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.



S. Dutta
Partner

Membership Number – F 50081

For and on behalf of

Price Waterhouse & Co.,

Chartered Accountants

PLACE : BANGALORE

DATE : 7th AUGUST, 2007

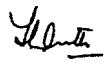
CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2007


SOURCES OF FUNDS	Schedule	2007 Rs.	2006 Rs.
Shareholders' Funds			
Capital	1	41,935,600	41,935,600
Reserves and Surplus	2	404,886,798	300,344,480
Minority Interest		63,134,291	52,039,721
Loan Funds			
Secured Loans	3	765,937,585	549,407,973
Unsecured Loans	4	73,167,719	76,405,059
Deferred Tax Liability [Schedule 21 Note 8]		110,150,476	86,261,588
		1,459,212,469	1,106,394,421
APPLICATION OF FUNDS			
Fixed Assets	5		
Gross Block		1,500,856,167	1,236,425,794
Less: Depreciation		596,899,000	518,913,810
Net Block		903,957,167	717,511,984
Capital Work-in-progress		252,657,842	108,196,235
Incidental Expenditure during Construction Period	6	34,101,682	13,895,158
		1,190,716,691	839,603,377
Investments	7	15,001	115,001
Current Assets, Loans and Advances			
Inventories	8	310,245,944	275,267,584
Sundry Debtors	9	529,341,305	427,538,029
Cash and Bank Balances	10	26,590,985	33,331,470
Other Current Assets	11	22,025,511	16,599,062
Loans and Advances	12	91,853,181	65,973,716
		980,056,926	818,709,861
Less: Current Liabilities and Provisions			
Liabilities	13	660,410,676	512,112,276
Provisions	14	51,207,948	39,992,330
		711,618,624	552,104,606
Net Current Assets		268,438,302	266,605,255
Miscellaneous Expenditure		42,475	70,788
(To the extent not written off or adjusted)		1,459,212,469	1,106,394,421


Notes on Accounts

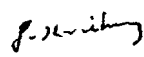
21


The Schedules referred to above and notes thereon form an integral part of the Accounts.
This is the Consolidated Balance Sheet referred to in our report of even date.



S. Dutta
Partner
For and on behalf of
Price Waterhouse & Co.,
Chartered Accountants



J.K. MALHOUTRA
Chairman



V. SUNDER
President and Group CFO

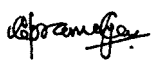

Air Chief Marshal (Retd.)
S. KRISHNASWAMY
Director



UDAYANT MALHOUTRA
CEO and
Managing Director


N. RAJAGOPAL
Executive Director & COO


N. MURALI
G M - Finance


VIJAI KAPUR
Director


Dr. K. APRAMEYAN
Director


G. HARITHA
Company Secretary

PLACE : BANGALORE
DATE : 7th AUGUST, 2007

PLACE : BANGALORE
DATE : 7th AUGUST, 2007

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

INCOME	Schedule	2007 Rs.	2006 Rs.
Sales and Services	15	2,922,892,351	2,373,514,415
Less: Excise duty included therein		520,002,788	391,467,881
Net Sales		2,402,889,563	1,982,046,534
Other Income	16	49,735,463	33,007,332
		2,452,625,026	2,015,053,866
EXPENDITURE			
Materials Consumed	17	1,477,807,683	1,154,487,555
Employee Cost	18	219,328,994	184,680,804
Other Operating Expenses	19	336,305,467	303,809,310
		2,033,442,144	1,642,977,669
Operating Profit before Depreciation and Interest (EBITDA)		419,182,882	372,076,197
Depreciation	99,922,822	88,968,367	
(Less): Transfer from Revaluation Reserve	(341,996)	(345,417)	88,622,950
Interest	20	67,308,241	59,958,944
Profit before Taxation, Extraordinary and Prior Period Items		252,293,815	223,494,303
Prior Period Depreciation		-	1,870,620
Extraordinary Item (Schedule 21 Note 11)		19,318,174	2,114,233
Profit before taxation		232,975,641	219,509,450
Provision for Taxation			
Current Tax [Net of Excess provision in respect of earlier years Rs.84,868 (2006: Rs.4,005,477)]		(56,306,424)	(79,838,548)
Deferred Tax (charge)/ credit [Schedule 21 Note 8]		(23,888,888)	1,235,062
Fringe Benefit Tax		(3,259,000)	(3,817,669)
Wealth Tax [Including provision pertaining to earlier year Rs.64,309 (2006:Rs. Nil)]		(211,335)	(60,433)
Profit after taxation before Minority Interest		149,309,994	137,027,862
Minority Interest in Profits		17,412,570	18,207,090
Profit after taxation		131,897,424	118,820,772
Profit brought forward from previous year		76,810,587	47,103,015
		208,708,011	165,923,787
Appropriations			
Dividend :			
- Interim		8,387,120	8,387,120
- Final (Proposed)		12,580,680	12,580,680
Dividend Tax		6,044,429	5,016,416
Transferred to General Reserve		81,799,614	63,128,984
Balance Carried to Balance Sheet		99,896,168	76,810,587
		208,708,011	165,923,787
Earnings Per Share- Basic and Diluted (Schedule 21 Note 13)			
Before Extraordinary item		34.93	28.84
After Extraordinary item		31.45	28.33

Notes on Accounts

21

The Schedules referred to above and notes thereon form an integral part of the Accounts.

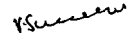
This is the Consolidated Profit and Loss Account referred to in our report of even date.

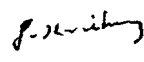

S. Dutta

Partner

For and on behalf of
Price Waterhouse & Co.,
Chartered Accountants

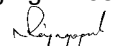

J.K. MALHOUTRA
Chairman


V. SUNDER
President and Group CFO


S. KRISHNASWAMY
Director


PLACE : BANGALORE
DATE : 7th AUGUST, 2007


UDAYANT MALHOUTRA
CEO and
Managing Director


N. RAJAGOPAL
Executive Director & COO


N. MURALI
G M - Finance


VIJAI KAPUR
Director


Dr. K. APRAMEYAN
Director


G. HARITHA
Company Secretary

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007

	2007 Rs.	2006 Rs.
A. Cash flow from operating activities:		
Net profit before tax and extraordinary item:	252,293,815	221,623,683
Adjustments for:		
Depreciation	99,580,826	90,493,570
Interest Expense	67,308,241	59,958,944
Interest Income	(3,247,592)	(2,874,120)
Income from Investment - Dividends	-	(18,000)
(Profit)/Loss on Fixed Assets sold	1,943,061	456,345
Deferred revenue expenditure written off	28,313	4,682,000
Debts / Advances Written off	1,756,481	1,986,384
Provision for Bad & Doubtful Debts	3,369,813	4,098,434
Provision for Doubtful Advances	63,630	840,495
Liability no longer required written back	(568,694)	(2,343,474)
Provision for Gratuity & Leave Encashment	4,616,866	2,594,251
Provision for diminution in value of Investments	-	92,152
Unrealised foreign exchange (gain) /loss	(3,488,102)	1,221,865
Provision for warranty	654,917	629,000
Operating profit before working capital changes	424,311,575	383,441,529
Adjustments for changes in working capital :		
- (INCREASE)/DECREASE in Sundry Debtors	(109,013,917)	(93,724,188)
- (INCREASE)/DECREASE in Other Receivables	(17,956,039)	(19,517,308)
- (INCREASE)/DECREASE in Inventories	(34,978,360)	(38,863,319)
- INCREASE/(DECREASE) in Trade and Other Payables	131,943,823	140,834,849
Cash generated from operations	394,307,082	372,171,563
- Direct Tax paid	(66,277,033)	(64,896,931)
- Fringe Benefit Tax paid	(3,295,513)	(4,046,156)
Cash flow before extraordinary items	324,734,536	303,228,476
Extraordinary items (Schedule 21 Note 11)	(19,318,174)	(2,114,233)
Net cash from operating activities	305,416,362	301,114,243
B. Cash flow from Investing activities:		
Adjustments for changes in :		
Purchase of fixed assets	(447,828,421)	(193,495,356)
Proceeds from Sale of fixed assets	4,676,316	1,450,547
Proceeds from Sale of Investments	100,000	500
Loans/ICDs extended during the year	-	(774,600)
Loans/ICDs refunds received	-	1,021,683
Interest Received (Revenue)	2,102,960	3,222,822
Dividend Received	-	18,000
Net cash used in investing activities	(440,949,145)	(188,556,404)

2007
Rs.

2006
Rs.

C. Cash flow from financing activities:


Proceeds from long term borrowings	174,637,101	(64,748,424)
Proceeds from short term borrowings(NET)	(10,000,000)	(10,197,431)
Proceeds from fixed deposits (NET)	1,929,000	5,385,000
Proceeds from Cash Credits (NET)	46,481,813	44,935,883
Interest Paid	(66,628,496)	(58,655,524)
Dividend Paid	(14,740,680)	(21,094,240)
Dividend Tax Paid	(2,886,440)	(4,596,788)
Net cash used in financing activities	128,792,298	(108,971,524)
Net Increase/(Decrease) in Cash and Cash Equivalents	(6,740,485)	3,586,315
Cash and cash equivalents as at 31.03.2006	33,331,470	29,745,155
Cash and cash equivalents as at 31.03.2007	26,590,985	33,331,470
	(6,740,485)	3,586,315


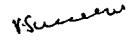
Notes :

- 1 The above Consolidated Cash Flow Statement has been compiled from and is based on the Consolidated Balance Sheet as at March 31, 2007 and the relative Consolidated Profit and Loss Account for the year ended on that date.
- 2 The above Consolidated Cash Flow Statement has been prepared under the indirect method as set out in the Accounting Standard-3 on Cash Flow Statements issued by The Institute of Chartered Accountants of India and reallocation required for this purpose are as made by the Group.
- 3 Previous year's figures are not comparable with the figures of the current year to the extent of financial impact of inclusion of new subsidiary for only part of the previous year.
- 4 Previous year's figures have been regrouped/ reclassified wherever necessary in order to confirm with current year's classification.

This is the Consolidated Cash Flow Statement referred to in our report of even date.


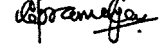
For and on behalf of the Board of Directors


S. Dutta
Partner
For and on behalf of
Price Waterhouse & Co.,
Chartered Accountants


J.K. MALHOUTRA
Chairman

V. SUNDER
President and Group CFO


UDAYANT MALHOUTRA
CEO and
Managing Director

N. RAJAGOPAL
Executive Director & COO


VIJAI KAPUR
Director

Dr. K. APRAMEYAN
Director

PLACE : BANGALORE
DATE : 7th AUGUST, 2007


Air Chief Marshal (Retd.)
S. KRISHNASWAMY
Director
PLACE : BANGALORE
DATE : 7th AUGUST, 2007


N. MURALI
G M - Finance


G. HARITHA
Company Secretary