



DYNAMATIC TECHNOLOGIES LIMITED

ANNUAL REPORT

2014-2015



LEAP
Ahead



All our efforts going forward, will be to constantly maximise Return on Capital Employed, while continuously seeking opportunities to grow to new heights.

Dear Fellow Shareholder,

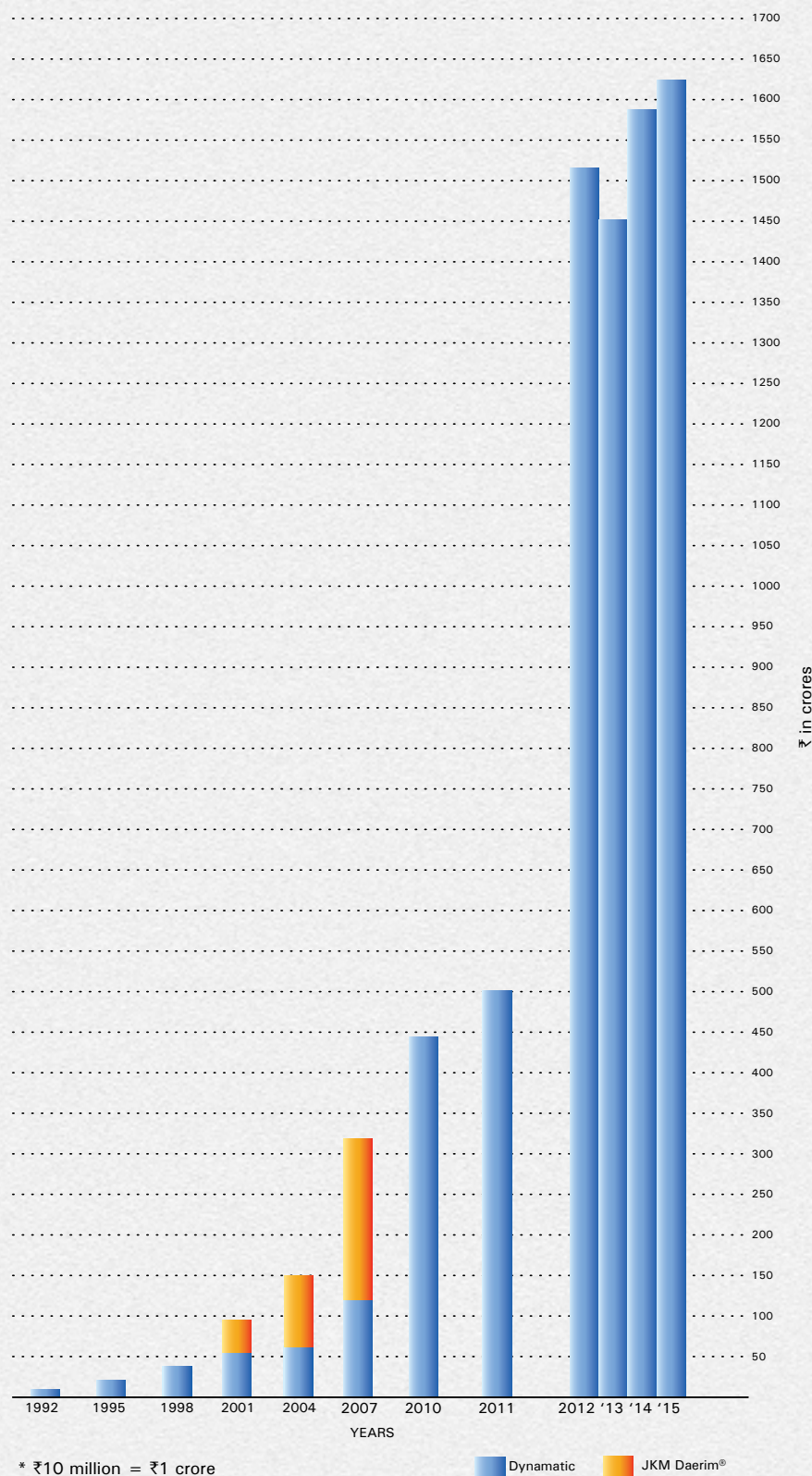
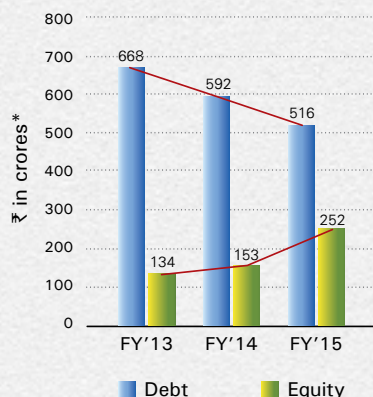
On behalf of the Board of Directors of Dynamatic Technologies Limited and its subsidiaries, I take pleasure in presenting you with Audited Financial Statements for the year 2014-15.

During the year under review, your Company along with its subsidiaries recorded a growth rate of 3% in Aggregate Revenue. Net Revenue recorded ₹16,288 million (aggregated with subsidiaries) with consolidated EBIDTA of ₹1,511 million & Net Profit Before Tax of ₹499 million.

The graph on the right shows your Company's growth over the past 24 years.

Although market sentiment improved during 2014-15, translation of these sentiments into reality is yet to fructify. Over the last 24 months your Company has responded to the shift in business context with corrective initiatives, including rationalisation of unprofitable business lines, and has increased its focus on higher margin businesses.

Two years ago your Company presented its stakeholders with a detailed plan for asset-light growth. We are pleased to confirm that this strategy has helped in optimising the balance-sheet, while creating headroom for substantial expansion. In addition your Company has improved balance-sheet quality by monetising non-core assets and increasing equity through a Qualified Institutional Placement, while aggressively paying down debt.



In the earlier years, JKM Daerim® has been identified separately on the bar chart above. With effect from 2007-08, the merged identity is shown as a single bar. The aggregated sales for 2014-15 also includes the turnover recorded by your company's wholly owned subsidiaries as well as Inter-Division/Company Sales of ₹158 crores from Dynametal®, Dynamatic Hydraulics™, Dynamatic Wind Farm, Eisenwerk Erla GmbH, Germany, JKM Ferrotech Limited, India and Dynamatic Limited, UK.

These initiatives are expected to create a more profitable and flexible business model that improves the Return on Capital Employed, and increases operational competitiveness.

Your Company designs and builds high performance, precision engineered products for applications in its chosen business segments: Hydraulics, Automotive & Metallurgy and Aerospace & Defence.

Dynamatic Hydraulics™ is one of the world’s leading producers of high pressure hydraulic gear pumps for agricultural, construction and industrial applications. Your Company is a preferred supplier to leading OEMs across the world, serving customers on six continents through its manufacturing facilities in Swindon, UK, and Bangalore, India. Additionally, this division produces high-flow, low-pressure lube and water pumps for high horse power engines and is a strategic supplier for Cummins worldwide operations.

For close to 2 years, JKM Automotive™ units located around Chennai had struggled with disrupted production and interrupted casting supplies due to power scarcity in Tamil Nadu and inflationary pressures exerted by a depreciating rupee. This had severely impacted the profitability of your Company’s Automotive business in India. In order to correct this business, your Company has rationalized its product mix, re-focused its attention to export markets and released capital by monetising spare land and buildings at its Irrungattukottai complex.

Your Company’s Automotive business has already begun to grow new shoots, with JKM Ferrotech Limited having commenced export of Exhaust Manifold Castings to BMW and Lanchester Housings to Mercedes-Benz. JKM Automotive™ has also started delivering Fork Shifts Assemblies to Getrag Ford in Europe.



A new pouring machine for steel castings was installed into series process of the GFD moulding line at Eisenwerk Erla GmbH

Eisenwerk Erla GmbH produces turbine housings in high-nickel alloys of iron (D5S) for discerning users in Europe such as Volkswagen and Audi. The use of stainless steel turbine housings for next-gen petrol engines is progressing well, and Erla has received 3 new projects in high alloy steel. Additionally it has been nominated

for several other large projects. Preparations are also in progress for JKM Ferrotech™ to qualify for the production of turbine housings in Chennai, presenting your Company with opportunities to reduce cost.

Dynamatic-Oldland Aerospace™ has been producing Flap Track Beam Assemblies for the Airbus Single-Aisle (A320) Aircraft Family on a global single-source basis since 2008 as a Tier II supplier to Airbus. In its single largest component sourcing deal in India, Airbus signed an agreement with your Company on February 16, 2015, for sourcing flap-track beams for its wide body A330 family aircraft. The agreement has elevated Dynamatic Technologies to a global tier-1 supplier in Airbus’s list. This award from Airbus will establish Dynamatic-Oldland Aerospace™ as a Center of Excellence for the production of Flap Track Beams.



Showcasing Dynamatic Flap Track Beams to Prime Minister Shri Narendra Modi at Toulouse along with Airbus CEO, Mr. Thomas Enders and Airbus India Managing Director, Dr. Srinivasan Dwarakanath. ‘There’s a bit of India in every Airbus’.

During the year under review Dynamatic-Oldland Aerospace™ produced the first set of aft pylon and cargo ramp assemblies for Boeing’s CH-47F Chinook helicopter. The commitment of Boeing and Dynamatic to “Make in India” was highlighted by Indian Prime Minister Shri. Narendra Modi during his inaugural address at Aero India 2015 in Bangalore. Dynamatic’s relationship with Boeing began in 2010 with the award of a contract to supply mission and power equipment cabinets for the P-8I maritime reconnaissance and anti-submarine warfare aircraft.



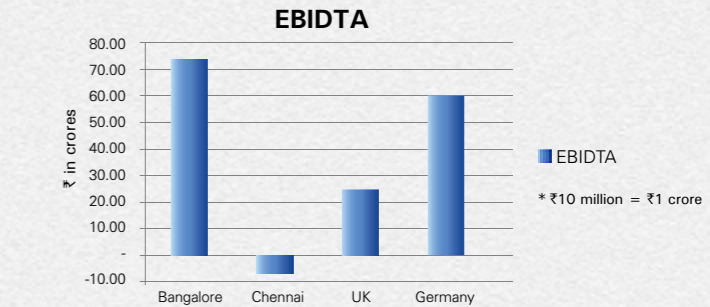
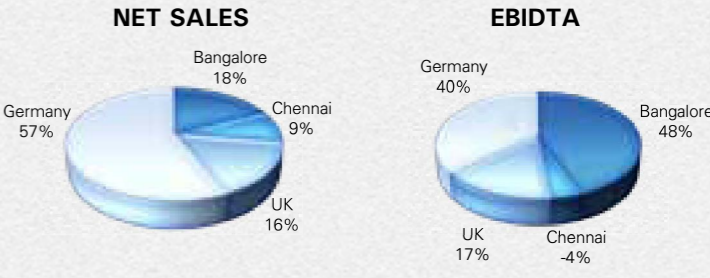
Aft Pylon Assembly and Cargo Ramp Assembly for the Boeing Chinook CH-47F Helicopter at Dynamatic Park, Bangalore

Bell Helicopter, Textron India (TIPL) and Dynamatic Technologies have been working together since 2012 to develop world-class aeronautic capacity in India as a crucial part of Bell Helicopter’s global sourcing strategy. The uniqueness of the Dynamatic - Bell program is that it involves the development of manufactured items from raw material itself, and brings foundational aerospace knowledge enabling Dynamatic to successfully indigenise the manufacture of major helicopter assemblies. Your Company is contracted with Bell Helicopter as a single source supplier for major assemblies on the Cabin for Bell 407 (GX & AN variants) over the next seven years. On February 19, 2015 your Company delivered the first Assemblies to Bell in the presence of Shri Manohar Parrikar, Hon’ble Defence Minister of India.



“In September 2014 Dynamatic Technologies and its collaborator Boeing inaugurated a plant in India to manufacture critical parts for a Boeing helicopter that is sold globally. I understand that it was a day after ‘Make in India’ was launched. I am pleased to learn that the first set of parts is ready for shipment today”.

- Hon’ble Prime Minister Shri Narendra Modi while inaugurating AERO INDIA 2015



Capital will flow to segments that offer greater opportunity for profitable growth, and away from those that create a drag on earnings.

Your Company’s aerospace business in India recorded 28% growth during the year under review, from ₹920 million in financial years 2014 to ₹1,173 million in financial year 2015.

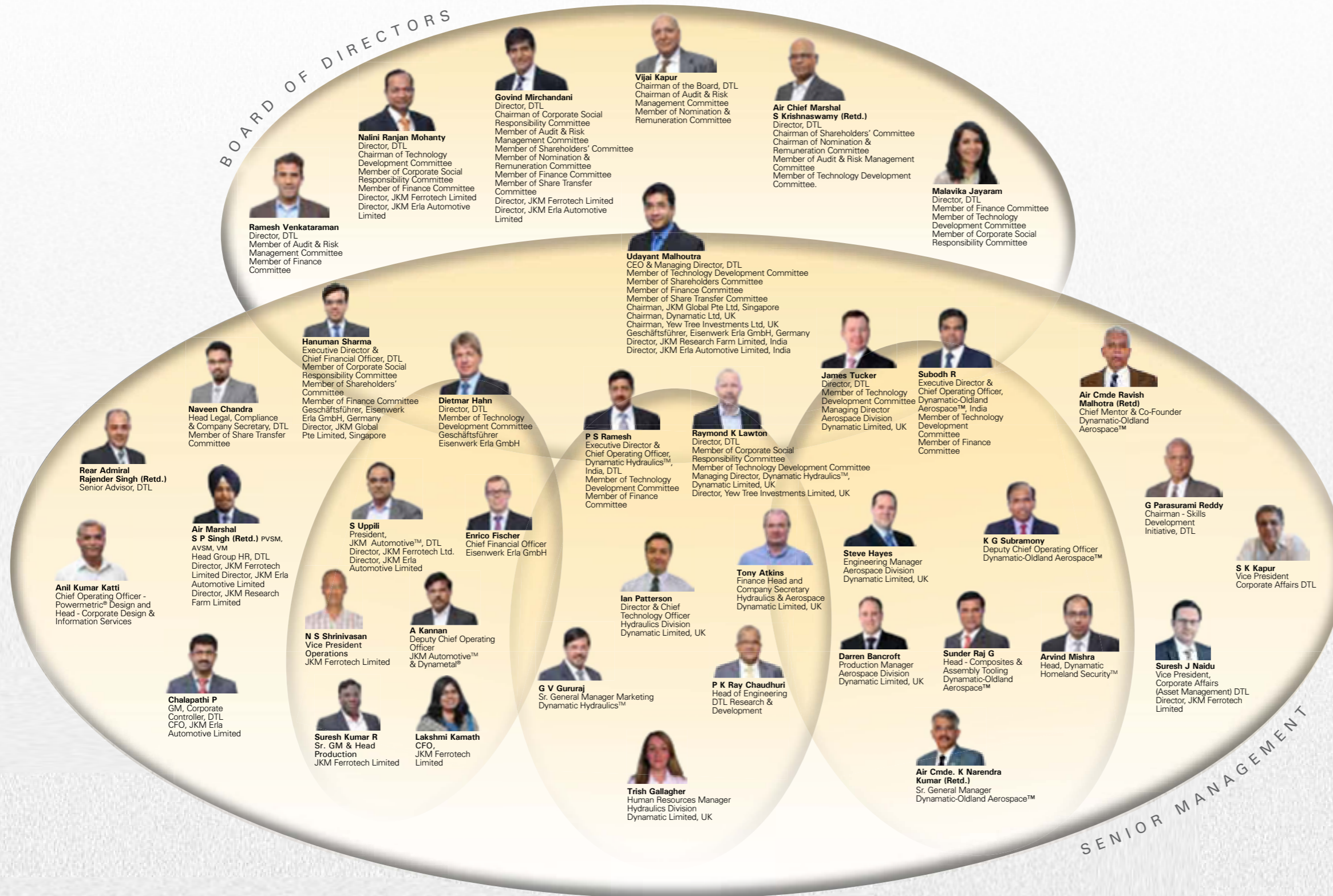
Throughout the history of Dynamatic Technologies Limited, it has faced challenging times head on, seeking to benefit from the opportunities that accompany environmental risk. It has done so by being open to change, evolving into something bigger and better each time.

The leadership team at Dynamatic is committed to securing the Company’s market leadership, technological competence and brand equity through these difficult times and remains confident in its abilities to continue on its existing high growth curves.

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

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



DIRECTORSHIPS AND AUDITOR DETAILS IN SUBSIDIARIES

DYNAMATIC LIMITED, UK
Chairman
Mr. Udayant Malhoutra
Director
Mr. Michael John Handley
Managing Director, Dynamatic Hydraulics™, Dynamatic Limited, UK
Mr. Raymond Keith Lawton

Director & Chief Technology Officer, Dynamatic Hydraulics™, Dynamatic Limited, UK
Mr. Ian Patterson
Managing Director, Aerospace Division, Dynamatic Limited, UK
Mr. James Tucker

Auditors
KPMG LLP, UK
Chartered Accountants & Statutory Auditors

EISENWERK ERLA GmbH, GERMANY
Chairman
Mr. Udayant Malhoutra

Managing Director
Mr. Dietmar Hahn
Director
Mr. Hanuman Sharma
Auditors
KMPG AG, Germany
Chartered Accountant & Statutory Auditors

JKM GLOBAL PTE LIMITED, SINGAPORE
Chairman
Mr. Udayant Malhoutra

Director
Mr. Hanuman Sharma
Director
Mr. Chai Chung Hoong
Auditors
KMPG LLP, Singapore

JKM ERLA HOLDINGS GmbH, GERMANY
Chairman
Mr. Udayant Malhoutra
Director
Mr. Dietmar Hahn

Auditors
KMPG AG, Germany
Chartered Accountant & Statutory Auditors

YEW TREE INVESTMENTS LIMITED, UK
Chairman
Mr. Udayant Malhoutra
Director
Mr. Raymond Keith Lawton
Auditors
KPMG LLP, Bristol

JKM ERLA AUTOMOTIVE LIMITED
Director
Mr. Udayant Malhoutra
Director
Mr. S. Uppili
Director
Mr. Nalini Ranjan Mohanty

Director
Mr. Govind Mirchandani
Director
Air Marshal S P Singh (Retd.)

Auditors
B S R & Co., LLP
Chartered Accountants
Bangalore

JKM FERROTECH LIMITED
Director
Mr. S. Uppili
Director
Mr. Nalini Ranjan Mohanty

Director
Mr. Govind Mirchandani
Director
Air Marshal S P Singh (Retd.)

Director
Mr. Suresh J Naidu
Auditors
B S R & Co., LLP
Chartered Accountants, Bangalore

JKM RESEARCH FARM LIMITED
Director
Mr. Udayant Malhoutra
Director
Mrs. Pramilla Malhoutra

Director
Air Marshal S P Singh (Retd.)

Auditors
M/s. Prasad & Kumar,
Chartered Accountants
Bangalore

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.

DIRECTORS' BRIEF PROFILE



Chairman

Mr. Vijai Kapur

Management Consultant

During an illustrious career, he was heading GKW Limited as Dy. Managing Director, and was also past President – AIEI (now called CII)

Independent Director

Air Chief Marshal S. Krishnaswamy (Retd.)

Distinguished Former Head of Indian Defence Services

He is credited with bringing focus towards indigenous capabilities as additional strategic dimensions of National Security Policy. He retired as the Commander of India's Defence forces in the Capacity of Chairman, Chiefs of Staff Committee 2004, in addition to serving as Chief of Air Staff, Indian Air Force 2002-04.

Independent Director



Mr. Govind Mirchandani

Management Consultant

He has vast experience in developing and building leading brands in India. He has had a distinguished career which includes the positions of Executive Director & CEO, Reid and Taylor. Director, Brandhouse Retails Ltd, CEO & Director, Arvind Mills Ltd., President, Denim Division, Arvind Mills Ltd, and President & CEO, Personality Ltd.

Independent Director

Ms. Malavika Jayaram

Lawyer

An expert on Intellectual Property Rights, International Business Transactions and EU Law, she is a partner of Jayaram & Jayaram Associates. She has spent almost a decade practising law in Europe with Allen & Overy, London and Citigroup, London where she was Vice President & Technology Law Counsel, before returning to India.

Independent Director



Mr. Nalini Ranjan Mohanty

Engineer

With his deep understanding in technology, he has brought about dramatic improvements in the operations of HAL and the Indian Aerospace Industry. He is the past Chairman of HAL. During his tenure, HAL could establish itself as one of the internationally recognized large Aviation industries. He is a Fellow of Institute of Engineers (India) and also Fellow of Aeronautical Society of India. In 2004, he received the prestigious "Padmashree Award" from the President of India.

Independent Director

Mr. Ramesh Venkataraman

Financial Expert

He is a Senior Partner & Executive Director of Samena Capital and Co-Head of Special Situations and Direct Investments. He was earlier a partner with McKinsey & Company's New York and lead the firm's High Tech and Telecom practice for Asia. He has advised the Prime Minister's Office on telecom and technology policy and worked closely with Nasscom, the association for Indian offshore IT and BPO firms, in shaping industry strategy, global positioning and regulation. He was chosen for the prestigious Young Achiever award by the Indo-American society.

Independent Director



Mr. Raymond Keith Lawton

Company Executive

Formerly the Executive Chairman, Sauer Danfoss (Swindon Unit), he is credited with the transformation of the Swindon unit into a state-of-the-art facility. He is the Managing Director, Dynamatic Hydraulics™, Dynamatic Limited, UK.

Non-Executive Director

DIRECTORS' BRIEF PROFILE



Mr. Dietmar Hahn

Company Executive

He has over two decades of rich experience in operations, sales and development, having worked in positions of seniority at Eisenwerk Erla GmbH. He is the Geschäftsführer, Eisenwerk Erla GmbH, Germany.

Non-Executive Director

Mr. James Tucker

Company Executive

He was formerly the General Manager of Oldland CNC. He has rich technical and operational experience in Aeronautical manufacturing as well as excellent customer liaison skills, having managed global aerospace majors like Boeing, Airbus, GKN Aerospace, Agusta Westland, etc. He is also a Director in Oldland Aerospace Limited, UK.

Non-Executive Director



Mr. P S Ramesh

Company Executive

Mr. P S Ramesh joined the Company in the year 1999 as Head of Quality and spearheaded the campaign for documenting procedures/ control plans and implementing ISO 9001 certification. He has been serving the Company for the past 16 years and has progressively grown to be the Chief Operating Officer of Dynamatic Hydraulics™, India.

Executive Director & Chief Operating Officer, Hydraulics - India

Mr. Hanuman Kumar Sharma

Company Executive

Mr. Hanuman Kumar Sharma joined the organization in 2012 as Chief Financial Officer. He has been actively involved in the company's initiatives to optimise the balance sheet, and prepare it for its larger plans. He has been involved in raising Equity through a QIP, and in rationalising and reducing debt. As CFO of Dynamatic Technologies Limited, he is responsible for consolidation of global accounts, and introduction of best accounting practices across the group.

Executive Director & Chief Financial Officer



Mr. Subodh Rajendra Babu

Company Executive

Mr. Subodh Rajendra Babu, joined Dynamatic Technologies Limited in 2000 and was associated with the business and product development team of JKM Automotive™, where he was actively involved in developing engine products for global customers. Since 2007, he has been involved in introducing world-class automotive manufacturing practices into the Aerospace Division, whilst scaling up operations to meet exacting customer requirements.

Executive Director & Chief Operating Officer, Aerospace - India

Mr. Udayant Malhoutra

Industrialist

Udayant has been associated with the Company since 1989 as Chief Executive. During this period he globalised and scaled the Company's original Hydraulic business, and founded the Company's Aerospace and Metallurgical businesses. He is credited with building and nurturing a world-class management team, and transforming the Company into a knowledge based organisation with global operations.

Chief Executive Officer & Managing Director



GLOBAL PRESENCE / AUDITORS & BANKERS DETAILS

REGISTERED OFFICE:

Dynamatic Park, Peenya, Bangalore – 560 058, India

KEY FACILITIES:

Dynamatic-Oldland Aerospace™, India

Dynamatic Park, Peenya,
Bangalore 560 058, India

Airforce Road, HAL Ancillary Unit – III,
Ojhar, Niphad, Nasik, India

Dynamatic Hydraulics™, Unit-1

(Gear Pumps for Tractor and Industrial Sectors)

No. 1A/1, 1st Main Road, 1st Stage,
2nd Phase, Peenya Industrial Area,
Bangalore 560 058, India

Dynamatic Hydraulics™, Unit-2

(Hitch Control valves for Tractor Sector)

Plot No. K 12, 5th Cross, 1st Stage,
Peenya Industrial Area,
Bangalore 560 058, India

JKM Pumps Division

(Lube and Water Pumps for Engines)

Plot No. 28/A, 3rd Main, Phase I,
Peenya Industrial Area,
Bangalore 560 058, India

Center for Bush Excellence

(Bush Bearings for all Hydraulic Divisions)

Plot No. K 11, between 5th & 6th Cross,
1st Stage, Peenya Industrial Area
Bangalore 560 058, India

JKM Automotive™

JKM Park, SIPCOT Industrial Complex,
Irungattukottai, Sriperumbudur,
Tamil Nadu 602 105, India

JKM Ferrotech Limited

K-4, Phase II, SIPCOT Industrial Complex,
Gummidipoondi, Thiruvallur District,
Tamil Nadu 601 201, India

Dynamatic Hydraulics™, UK

Cheney Manor, Swindon,
Wiltshire, SN2 2PZ, England, United Kingdom

Dynamatic-Oldland Aerospace™, UK

Jarvis Street, Barton Hill,
Bristol BS5 9TR, England, United Kingdom

Eisenwerk Erla GmbH

Geschäftsführer 1, 08340
Schwarzenberg / Erzgebirge, Germany

AUDITORS:

M/s. B S R & Co. LLP

Chartered Accountants, Bangalore

Head Legal, Compliance and Company Secretary

Mr. Naveen Chandra P

Registrar & Transfer Agents

Karvy Computershare Private Limited
Karvy Selenium Tower B, Plot 31-32
Gachibowli Financial District
Nanakramguda, Hyderabad – 500 008

BANKERS:

Axis Bank Limited

Bank of India

Commerzbank

DBS Bank Limited

Deutsche Leasing Finance

Electronica Finance Ltd

Export - Import Bank of India

GE Capital

ICICI Bank Limited

Kotak Mahindra Bank Limited

Punjab National Bank

State Bank of India

Sachsenbank

Siemens Financial Services

The Ratnakar Bank Ltd

The Royal Bank of Scotland

Yes Bank Limited

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INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF DYNAMATIC TECHNOLOGIES LIMITED

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Dynamatic Technologies Limited ("the Company"), its subsidiaries and an associate (collectively called 'the Group'), which comprise the consolidated balance sheet as at 31 March 2015, the consolidated statement of profit and loss and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

As stated in 2a of notes to consolidated financial statements, the consolidated financial statements have been prepared and audited to comply with the Listing Agreement as the Group is exempt from the requirements of the Companies Act, 2013 in respect to preparation and audit of consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

The Company's Board of Directors is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures

selected depend on the Auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the Auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the 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 Group as at 31 March 2015;
- (ii) in the case of the consolidated statement of profit and loss, of the profit of the Group for the year ended on that date; and
- (iii) in the case of the consolidated cash flow statement, of the cash flows of the Group for the year ended on that date.

Other matter

We did not audit the financial statements and other financial information of certain subsidiaries which have been incorporated in the consolidated financial statements. These subsidiaries account for 42.87% of total assets as at 31 March 2015, 72.10% of the aggregate of total income from operations (net) and other income and ₹3,953 lacs net increase in cash and cash equivalents for the year ended 31 March 2015, as shown in these consolidated financial statements. Of the above:

- a. The financial statements and other financial information of some of the subsidiaries incorporated outside India as drawn up in accordance with the generally accepted accounting principles of the respective countries ('the local GAAP') have been audited by other auditors duly qualified to act as auditors in those countries. These subsidiaries account for 42.24% of total assets as at 31 March 2015, 71.82% of the aggregate of total income from operations (net) and other income and ₹4,068 lacs net increase in cash and cash equivalents for the year ended 31 March 2015, as shown in these consolidated financial statements. For purposes of preparation of the consolidated financial statements, the aforesaid local GAAP financial statements have been restated by the Management of the said entities so that they conform to the generally accepted accounting principles in India. This has been done on the basis of a reporting package prepared by the Company which covers accounting and disclosure requirements applicable to consolidated financial statements under the generally accepted accounting principles in India. The reporting packages made for this purpose have been audited by the other auditors and reports for consolidation purposes of those other auditors have been furnished to us. Our opinion on the consolidated financial statements, insofar as it relates to these entities, is based solely on the aforesaid audit reports of these other auditors.
- b. The financial statement and other financial information of a subsidiary incorporated outside India as drawn up in accordance with the local GAAP has been audited by other auditor duly qualified to act as auditor in that country. For the purposes of preparation of the consolidated financial statements, the aforesaid local GAAP financial

statements have been restated by the Management so that they conform to the generally accepted accounting principles in India. Further, the financial statement and other financial information of a subsidiary incorporated in India has been audited by other auditor whose report has been furnished to us by the Management. Our opinion on the Statement is based on the aforesaid audit report of the other auditor. These subsidiaries account for 0.63% of total assets as at 31 March 2015, 0.28% of the aggregate of total income from operations (net) and other income and ₹115 lacs net decrease in cash and cash equivalents for the year ended 31 March 2015 as shown in the Statement.

We also did not audit the financial statements of an associate, whose financial statements reflect share of profit of the Company aggregating ₹8 lacs for the year ended 31 March 2015.

for **B S R & Co. LLP**

Chartered Accountants

Firm Registration Number: 101248W/W-100022



Sunil Gaggar

Partner

Membership number: 104315

Place : Bangalore

Date : 28 May 2015