

B S R & Associates

(Registered)

Chartered Accountants

Maruthi Info-Tech Centre
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Koramangala
Bangalore 560 071 India

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Auditors' Report

To the Members of JKM Erla Automotive Limited

We have audited the attached balance sheet of JKM Erla Automotive Limited ("the Company") as at 31 March 2011, the profit and loss account and the cash flow statement from 8 February 2011 to 31 March 2011 ("the period") annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003, as amended, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 ("the Act"), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

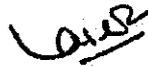
Further to our comments in the Annexure referred to above, we report that:

- (a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- (c) the balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
- (d) in our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
- (e) on the basis of written representations received from the directors, as at 31 March 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as at 31 March 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act on the said date;

B S R & Associates

- (f) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
- (i) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2011;
 - (ii) in the case of the profit and loss account, of the loss of the Company for the period ended on that date; and
 - (iii) in the case of the cash flow statement, of the cash flows of the Company for the period ended on that date.

for B S R & Associates
Chartered Accountants
Firm registration number: 116231W



Rajesh Arora
Partner

Membership number: 076124
Bangalore
Date: 08 Aug 2011

Annexure to the Auditors' report

Annexure referred to in our report to the members JKM Erla Automotive Limited ("the Company") from 8 February 2011 to 31 March 2011 ('the period'). We report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed asset.
- (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified once in two years. In accordance with the policy, fixed assets would be verified in the next year. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets.
- (c) No fixed assets were disposed off during the period.
- (ii) The Company has not started commercial activities. Accordingly, it does not hold any physical inventories. Thus, paragraph 4(ii) of the Order is not applicable.
- (iii) The Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956, ('the Act').
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets. The Company has not started its commercial operations during the period and accordingly there are no purchases of inventories and sale of goods and services. In our opinion and according to the information and explanations given to us, we have not observed any major weakness in the internal control system during the course of the audit.
- (v) In our opinion, and according to the information and explanations given to us, there are no contracts and arrangements the particulars of which need to be entered into the register maintained under section 301 of the Act.
- (vi) The Company has not accepted any deposits from the public.
- (vii) Paragraph 4(vii) of the Order is not applicable as the Company is not a listed Company, the paid up capital and reserve of the Company is not more than Rs. 50 lakhs at the commencement of the financial period and average annual turnover criteria does not apply as the Company has been incorporated in the current financial period.
- (viii) As the Company is yet to start commercial operations, the maintenance of cost records under clause (d) of sub-section (1) section 209 of the Act is presently not applicable to the Company.
- (ix) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including Income-tax and other material statutory dues have been regularly deposited during the period by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of Provident Fund, Employees' State Insurance, Sales tax, Wealth tax, Service tax, Custom duty, Excise duty and Investor Education and Protection Fund.

There are no dues on account of Cess under section 441A of the Act since the date from which the aforesaid section comes into force has not yet been notified by the Central Government of India.

According to the information and explanations given to us, no undisputed amounts payable in respect of Income-tax and other material statutory dues were in arrears as at 31 March 2011 for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us, there are no dues in respect of Income tax which have not been deposited with the appropriate authorities on account of any dispute.
- (x) As the Company is registered for a period of less than five years, clause (x) of paragraph 4 of the Order is not applicable to the Company for the period.
- (xi) The Company did not have any outstanding dues to any financial institution, banks or debenture holders during the period.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi/ mutual benefit fund/ society.
- (xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) The Company did not have any term loan outstanding during the period.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, *we are of the opinion that the funds raised on short term basis amounting to Rs 9,246,420 have been used for long-term investment.*
- (xviii) The Company has not made preferential allotment of shares to companies/ firms/ parties covered in the register maintained under Section 301 of the Act.
- (xix) The Company did not have any outstanding debentures during the period.
- (xx) The Company has not raised any money by public issues during the period.
- (xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

for B S R & Associates
Chartered Accountants

Firm registration number: 116231W

LAUR

Rajesh Arora
Partner

Membership number: 076124
Bangalore
Date: 08 Aug 2011

JKM ERLA AUTOMOTIVE LIMITED

Schedules to the accounts

Schedule 1 - Significant accounting policies

a. Background

JKM ERLA AUTOMOTIVE LIMITED ("the Company") was incorporated on 8 February 2011 under provisions of the Companies Act, 1956 ('the Act'). The Company is setting up automotive components processing/ manufacturing unit.

b. Basis of accounting and preparation of financial statements

The financial statements are prepared in accordance with the Indian Generally Accepted Accounting Principles ('GAAP') under the historical cost convention on accrual basis other than the assets revalued. GAAP comprises mandatory accounting standards as specified in the Companies (Accounting Standards) Rules, 2006, ('the Rules') and the relevant provisions of the Act to the extent applicable. The accounting policies have been consistently applied by the Company. The financial statements are presented in Indian rupees thousand.

c. Going concern

The Company has incurred operating loss during the year ended 31 March 2011 and has a negative net worth as at 31 March 2011. The financial statements have been prepared on the assumption that the Company will continue as a going concern based on the letter of continuing financial support received from the ultimate holding company.

d. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles in India (Indian GAAP) requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses, during the reporting period. Examples of such estimates include estimates of provision for warranty, provision for doubtful debts and the useful life of fixed assets. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

e. Fixed assets and depreciation

Fixed assets are stated at the cost of acquisition or construction, less accumulated depreciation. All costs incurred in bringing the assets to its working condition for intended use have been capitalised.

Advances paid towards the acquisition of fixed assets and the cost of assets not put to use as at the balance sheet date are disclosed under capital work-in-progress.

Depreciation on fixed assets is provided using the straight-line method. The rates of depreciation prescribed in Schedule XIV to the Act are considered as minimum rates. If the Management's estimate of the useful life of a fixed asset at the time of the acquisition of the asset or of the remaining useful life on a subsequent review is shorter than envisaged in the aforesaid schedule, depreciation is provided at a higher rate based on the Management's estimate of the useful life/remaining useful life.

JKM ERLA AUTOMOTIVE LIMITED

Schedules to the accounts

Schedule 1 - Significant accounting policies (continued)

f. Provisions and contingencies

The Company recognizes a provision when there is a present obligation as a result of past (or obligating) event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions for onerous contracts, i.e. contracts where the expected unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it, are recognized when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of an obligating event, based on a reliable estimate of such obligation.

g. Impairment of assets

The Company periodically assesses whether there is any indication that an asset or a group of assets comprising a cash generating unit may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. For an asset or group of assets that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the profit and loss account. If at the balance sheet date, there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost. An impairment loss is reversed only to the extent that the carrying amount of asset does not exceed the net book value that would have been determined; if no impairment loss had been recognised.

h. Preliminary expenses

The Company charges off the preliminary expenses to the profit and loss account in the year of occurrence.

JKM ERLA AUTOMOTIVE LIMITED

Schedules to the accounts

Schedule 1 - Significant accounting policies (continued)

i. Income-tax

Income-tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the income-tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period). The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax asset/liability as at the balance sheet date resulting from timing differences between book profit and tax profit are not considered to the extent that such asset/liability is expected to get reversed in the future years within the tax holiday period. Deferred tax assets are recognized only to the extent that there is reasonable certainty that the assets can be realized in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognized only if there is virtual certainty of realization of such assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written up to reflect the amount that is reasonably/ virtually certain (as the case may be) to be realized.

The Company offsets, on a year on year basis, the current tax assets and liabilities where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

j. Earnings per share

The basic earnings/ (loss) per share is computed by dividing the net profit/ (loss) attributable to equity shareholders for the period by the weighted average number of equity shares outstanding during the period. The Company did not have any potentially dilutive equity shares during the period.

k. Cash flow statement

Cash flows are reported using indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, investing and financing activities of the Company are segregated.

l. Cash and cash equivalent

Cash and cash equivalents comprise cash balances on hand and cash balance with banks.

JKM Erla Automotive Limited
Balance sheet

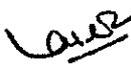
	Schedule	As at 31 March 2011 Rs
SOURCES OF FUNDS		
Shareholders' funds		
Share capital	2	500,600
		<u>500,600</u>
APPLICATION OF FUNDS		
Fixed assets		
Capital work in progress		9,246,420
Current assets, loans and advances		
Cash and bank balances	3	511,050
		<u>511,050</u>
Current liabilities and provisions		
Current liabilities	4	16,089,001
		<u>16,089,001</u>
Net current assets		(15,577,951)
Profit and loss account		6,832,131
		<u>500,600</u>
Significant accounting policies	1	
Notes to the accounts	5	

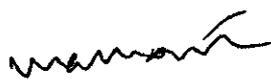
The schedules referred to above form an integral part of the balance sheet.

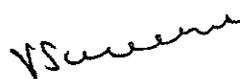
As per our report attached

for **BSR & Associates**
Chartered Accountants
Firm Registration number: 116231W

for and on behalf of the Board of Directors


Rajesh Arora
Partner
Membership number: 076124


Udayant Malhoutra
Director


V Sunder
Director

Place: Bangalore
Date: 08 Aug 2011

JKM Erla Automotive Limited
Profit and loss account

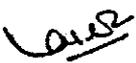
	Schedule	For the period from 8 February 2011 to 31 March 2011 Rs
INCOME		-
EXPENDITURE		
Other operating expenses:		
Legal and professional fees		5,979,017
		<u>5,979,017</u>
Preliminary expenses written off (refer to note 3 to schedule 5)		853,114
Loss before tax		<u>(6,832,131)</u>
Provision for taxation		
- current tax		-
Loss after tax carried forward to balance sheet		<u><u>(6,832,131)</u></u>
Loss per share (equity shares, par value Rs 10 each)	5 (2)	
- basic and dilutive		(957.98)
Weighted average number of equity shares considered for computing earnings per share - basic and dilutive		7,132
Significant accounting policies	1	
Notes to the accounts	5	

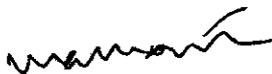
The schedules referred to above form an integral part of the profit and loss account.

As per our report attached

for **BSR & Associates**
Chartered Accountants
Firm Registration number: 116231W

for and on behalf of the Board of Directors


Rajesh Arora
Partner
Membership number: 076124


Udayant Malhoutra
Director


V Sunder
Director

Place: Bangalore
Date: 08 Aug 2011

JKM Erla Automotive Limited
Cash flow statement

For the period from
8 February 2011 to
31 March 2011

Cash flow from operating activities:

Loss before tax (6,832,131)

Operating cash flow before working capital changes (6,832,131)

Adjustment for working capital changes:

Change in current liabilities 16,089,001

Cash generated from operating activities 9,256,870

Income tax paid (net of refund) -

Cash generated from operating activities (A) 9,256,870

Cash flow from investing activities:

Purchase of fixed assets (9,246,420)

Cash (used in) investing activities (B) (9,246,420)

Cash flow from financing activities:

Proceeds from issue of shares 500,600

Cash generated from financing activities (C) 500,600

Net increase in cash and cash equivalents (A+B+C) 511,050

Cash and cash equivalents at the beginning of the period:

Cash and bank balances (Refer to schedule 3) -

Cash and cash equivalents at the end of the period: 511,050

Cash and bank balances (Refer to schedule 3)

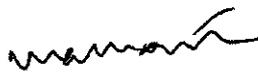
511,050

As per our report attached
for **B S R & Associates**
Chartered Accountants
Firm Registration number: 116231W

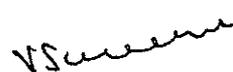
for and on behalf of the Board of Directors



Rajesh Arora
Partner
Membership number: 076124



Udayant Malhoutra
Director



V Sunder
Director

Place: Bangalore
Date: 08 Aug 2011

JKM Erol Automotive Limited
Schedules to the balance sheet

As at
31 March 2011
Rs

2 Share capital

Authorised capital

1,000,000 equity shares of Rs 10 each

10,000,000

Issued, subscribed and paid up capital

50,600 equity shares of Rs 10 each, fully paid up

[Out of above 50,000 equity share of Rs 10 each are held by Dynamatic Technologies Limited, the holding company]

500,600

JKM Erla Automotive Limited
Schedules to the balance sheet (continued)

As at
31 March 2011
Rs

3 Cash and bank balances

Cash on hand	600
Balances with scheduled banks	
- in current account	510,450
	<u>511,050</u>

4 Current liabilities

Sundry creditors	16,089,001
	<u>16,089,001</u>

JKM Erla Automotive Limited
Schedule to the accounts

Schedule 5 – Notes to the accounts

1. Auditors' remuneration (included in legal and professional charges)

Particulars	From 8 February 2011 to 31 March 2011
Statutory audit	200,000
Reimbursement of out of pocket expenses	2,000
Total	202,000

(The above amount is excluding service tax)

2. Earnings per share

Calculation of basic and diluted shares used in computing earnings per share:

Particulars	From 8 February 2011 to 31 March 2011
Loss after tax (Rs in 000')	(6,832,131)
Number of weighted average shares considered for calculation of basic earning per share	7,132
Basic (loss) per share of face value of Rs. 10 each	(957.98)

The Company has no potential dilutive equity shares.

3. The Company has charged preliminary expenses amounting to Rs 853,144 to the profit and loss account.

JKM Erla Automotive Limited
Schedule to the accounts

Schedule 5 – Notes to the accounts (continued)

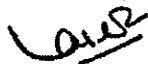
4. Related party transactions:

Description of relationship	Name of related Party	% holding
Party where control exists	Dynatomic Technologies Limited	98.81

The following is the summary of transactions for the period ended 31 March 2011 and balance outstanding as at 31 March 2011 with related parties:

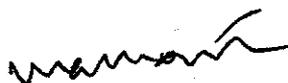
Related Party	(Amount in Rs) 31 March 2011
Advances received	
Party where control exists	15,887,001
Closing balance	
Party where control exists	15,887,001

As per our report attached
For **B S R & Associates**
Chartered Accountants
Firm registration number: 116231W

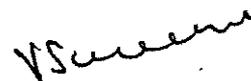


Rajesh Arora
Partner
Membership number: 076124

for **JKM Erla Automotive Limited**



UDAYANT MALHOUTRA
Director



V SUNDER
Director

Place : Bangalore
Date : 8 Aug 2011