The information in this Preliminary Placement Document is not complete and may be changed. This Preliminary Placement Document is not an offer to sell Equity Shares and is not soliciting an offer to subscribe to Equity Shares. It is being issued for the sole purpose of information or discussion on the Equity Shares that may be issued through the Placement Document

PLACEMENT DOCUMENT **Serial Number [•]**
Not for Circulation

DYNAMATIC TECHNOLOGIES LIMITED

DYNAMATIC TECHNOLOGIES LIMITED

(Incorporated in the Republic of India with limited liability under the Companies Act, 1956)

Dynamatic Technologies Limited ("DTL" or "our Company") is issuing 604,000 Equity Shares of Rs. 10 ("the QIP Shares") each at a price of Rs. 1,234 per Equity Share, including a premium of Rs. 1,224 per Equity Share, aggregating Rs. 745.34 million. ("this Issue")

ISSUE IN RELIANCE UPON CHAPTER XIII-A OF THE SEBI GUIDELINES

THIS OFFERING AND THE DISTRIBUTION OF THIS PLACEMENT DOCUMENT IS BEING DONE IN RELIANCE UPON CHAPTER XIII-A OF THE SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000, AS AMENDED (THE "SEBI GUIDELINES"). THIS PLACEMENT DOCUMENT IS PERSONAL TO EACH PROSPECTIVE INVESTOR, AND DOES NOT CONSTITUTE AN OFFER OR INVITATION TO SUBSCRIBE FOR EQUITY SHARES OR SOLICITATION OF AN OFFER TO THE PUBLIC OR TO ANY OTHER PERSON OR CLASS OF INVESTORS.

Invitations, offers and sales of Equity Shares shall only be made pursuant to the Preliminary Placement Document, Placement Document and Confirmation of Allocation Note and the Application Form. See "Issue Procedure" on page 107. The distribution of this Placement Document or the disclosure of its contents without our prior consent to any person, other than Qualified Institutional Buyers (QIBs as defined in the SEBI Guidelines) and persons retained by Qualified Institutional Buyers to advise them with respect to their purchase of Equity Shares, is unauthorized and prohibited. Each prospective investor, by accepting delivery of this Placement Document agrees to observe the foregoing restrictions, and to make no copies of this Placement Document or any documents referred to in this Placement Document.

This Placement Document has not been and will not be registered as a prospectus with the Registrar of Companies in India, and will not be circulated or distributed to the public in India.

Investments in equity and equity-related securities involve a degree of risk and prospective investors should not invest any funds in this Issue unless they are prepared to take the risk of losing all or part of their investment. Investors are advised to read the section "Risk Factors" starting on page [•] carefully before taking an investment decision in this Issue. Each prospective investor is advised to consult its advisers about the particular consequences to it of an investment in the Equity Shares being issued pursuant to this Placement Document. ***This Placement Document has not been reviewed by the Securities and Exchange Board of India (the "SEBI"), the Reserve Bank of India (the "RBI"), the Bombay Stock Exchange Limited ("BSE"), the National Stock Exchange of India Limited ("NSE") or any other regulatory or statutory authority and is intended only for use by QIBs.***

The information on the Company's website or any website directly or indirectly linked to such websites does not form part of this Placement Document and prospective investors should not rely on such information.

All of our Company's outstanding Equity Shares are listed on the BSE and the NSE (together the "**Stock Exchanges**"). Our Company has undertaken to apply to have the QIP Shares to be issued in connection with the Issue approved for listing on the Stock Exchanges. The closing price of our outstanding Equity Shares on the BSE and on the NSE on July 18, 2008 was Rs. 1,175.00 and Rs. 1,179.80 per Equity Share respectively. Applications shall be made for the listing of the Equity Shares on the BSE and the NSE. The Stock Exchanges assume no responsibility for the correctness of any statements made, opinions expressed or reports contained herein. Admission of the Equity Shares to trading on the Stock Exchanges should not be taken as an indication of the merits of the Company or the Equity Shares.

YOU MAY NOT AND ARE NOT AUTHORIZED TO (1) DELIVER THE PLACEMENT DOCUMENT TO ANY OTHER PERSON OR (2) REPRODUCE THE PLACEMENT DOCUMENT IN ANY MANNER WHATSOEVER. ANY DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SEBI GUIDELINES OR OTHER APPLICABLE LAWS OF INDIA AND OTHER JURISDICTIONS.

A copy of the Preliminary Placement Document has been delivered to the Stock Exchanges. A copy of this Placement Document will be filed with the Stock Exchanges. A copy of this Placement Document will also be delivered to the SEBI for record purposes.

It is expected that allotment of the QIP Shares will be made on or about August 08, 2008 (the "**Closing Date**").

The QIP Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") and will not be offered or sold within the United States in this Issue. Accordingly, we do not intend to claim any exemptions that would enable us to sell the QIP Shares to qualified institutional buyers (as defined in Rule 144A under the U.S. Securities Act). The QIP Shares are being offered and sold only outside the United States in compliance with Regulation S under the U.S. Securities Act and the applicable laws of each jurisdiction where such offers and sales occur. The Equity Shares offered hereby are not transferable except in accordance with the restrictions described under the sections entitled "Selling Restrictions" and "Transfer Restrictions". The Equity Shares have not been approved or disapproved by the SEBI or any other regulatory authority.

THIS PLACEMENT DOCUMENT HAS BEEN PREPARED BY THE COMPANY SOLELY FOR PROVIDING INFORMATION IN CONNECTION WITH THE PROPOSED ISSUE OF THE EQUITY SHARES DESCRIBED IN THIS PLACEMENT DOCUMENT.

This Placement Document is dated August 07, 2008.

Sole Bookrunner

SPARK CAPITAL enhancing value

SPARK CAPITAL ADVISORS (INDIA) PRIVATE LIMITED
Reflections, New No:2, Old No. 12, Leith Castle Center Street, Santhome High Road,
Santhome, Chennai – 600 028, INDIA

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NOTICE TO INVESTORS

Our Company accepts full responsibility for the information contained in this Placement Document and to the best knowledge and belief of the Company, having made all reasonable enquiries, confirms that this Placement Document contains all information with respect to the Company and the Equity Shares which is material in the context of this Issue.

The statements contained in this Placement Document relating to the Company and the Equity Shares are, in every material respect, true and accurate and not misleading, the opinions and intentions expressed in this Placement Document with regard to the Company and the Equity Shares are honestly held, have been reached after considering all relevant circumstances, are based on information presently available to the Company and are based on reasonable assumptions. There are no other facts in relation to the Company and the Equity Shares, the omission of which would, in the context of the Issue, make any statement in this Placement Document misleading in any material respect. Further, all reasonable enquiries have been made by the Company to ascertain such facts and to verify the accuracy of all such information and statements. The Sole Bookrunner has not separately verified all of the information contained in this Placement Document (financial, legal or otherwise). Accordingly, neither the Sole Bookrunner nor any member, employee, counsel, officer, director, representative, agent or affiliate of the Sole Bookrunner makes any express or implied representation, warranty or undertaking, and no responsibility or liability is accepted, by the Sole Bookrunner, as to the accuracy or completeness of the information contained in this Placement Document or any other information supplied in connection with the Equity Shares. Each person receiving this Placement Document acknowledges that such person has not relied on the Sole Bookrunner nor on any person affiliated with the Sole Bookrunner in connection with its investigation of the accuracy of such information or its investment decision. Each such person must rely on its own examination of the Company and the merits and risks involved in investing in the Equity Shares

No person is authorized to give any information or to make any representation not contained in this Placement Document and any information or representation not so contained must not be relied upon as having been authorized by or on behalf of the Company or the Sole Bookrunner. The delivery of this Placement Document at any time does not imply that the information contained in it is correct as at any time subsequent to its date. Neither the publication of this Placement Document, nor the Issue nor the sale and delivery of the QIP Shares shall imply under any circumstances that there has been no adverse change or no event likely to give rise to any adverse change with respect to our Company's condition (financial or otherwise) or that the information contained herein is still correct after the date of this Placement Document.

The Equity Shares have not been approved, disapproved or recommended any regulatory authority. No regulatory authority has passed on or endorsed the merits of this Issue or the accuracy or adequacy of this Placement Document.

The distribution of this Placement Document and the issue of the Equity Shares in certain jurisdictions may be restricted by law. As such, this Placement Document does not constitute, and may not be used for or in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. In particular, no action has been taken by the Company or the Sole Bookrunner which would permit an Issue of the Equity Shares or distribution of this Placement Document in any jurisdiction, other than India, where action for that purpose is required. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and neither this Placement Document nor any Issue materials in connection with the Equity Shares may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

In making an investment decision, investors must rely on their own examination of the Company and the terms of this Issue, including the merits and risks involved. Investors should not construe the contents of this Placement Document as legal, tax, accounting or investment advice. Investors should consult their own counsel and advisors as to business, legal, tax, accounting and related matters concerning this Issue. In addition, neither the Company nor the Sole Bookrunner is making any representation to any offeree or purchaser of the Equity Shares regarding the legality of an investment in the Equity Shares by such offeree or purchaser under applicable legal, investment or similar laws or regulations. Each purchaser of the Equity Shares in this Issue is deemed to have acknowledged, represented and agreed that it is eligible to invest in India and in the Company under Indian law, including Chapter XIII-A of the SEBI Guidelines and is not prohibited by the SEBI or any other statutory authority from buying, selling or dealing in securities. Each purchaser of Equity Shares in this Issue also acknowledges that it has been afforded an opportunity to request from the Company and review information relating to the Company and the Equity Shares.

This Placement Document contains summaries of certain terms of certain documents, but reference is made to the actual documents, copies of which will be made available upon request during the Issue period for physical inspection at the Registered Office of the Company located at Bangalore, Karnataka, India, subject to applicable confidentiality restrictions. All such summaries are qualified in their entirety by this reference.

The information on our Company's website (www.dynamatics.com) or on the websites of the Sole Bookrunner (www.sparkcapital.in) does not constitute nor form a part of this Placement Document.

P-NOTES

With effect from October 25, 2007, Foreign Institutional Investors ("FIIs") and their sub-accounts, registered with SEBI, cannot issue offshore derivative instruments and are required to unwind their positions in such instruments within 18 months from that date. However, an FII or sub-account of an FII may issue, deal in or hold notes or any other similar instruments against underlying securities in the cash segment, not linked to any underlying derivatives, up to 40% of its assets under custody. Further, FII or sub-account of an FII can deal in derivatives only on a recognised stock exchange in India.

P-Notes have not been and are not being offered or sold in this Issue. This Placement Document does not contain any information concerning any P-Notes or the issuer(s) of any P-Notes, including, without limitation, any information regarding any risk factors relating thereto. We and the Sole Bookrunner do not make any recommendation as to any investment in P-Notes and do not accept any responsibility whatsoever in connection with any P-Notes.

Any P-Notes that may be issued are not our securities and do not constitute any obligations of, claim on, or interests in the Company. Neither the Company nor the Sole Bookrunner has participated in any offer of any P-Notes, or in the establishment of the terms of any P-Notes, or in the preparation of any disclosure related to any P-Notes. Any P-Notes that may be offered are issued by, and are the sole obligations of, third parties that are unrelated to the Company.

Any P-Notes that may be issued are not securities of the Sole Bookrunner and do not constitute any obligations of, or claims on, the Sole Bookrunner. However, associates and affiliates of the Sole Bookrunner may or may not issue P-Notes against Equity Shares allocated to them in this Issue. Such associates and affiliates of the Sole Bookrunner may receive commissions and other fees in connection with the issuance, offer and sale of P-notes.

Prospective investors interested in purchasing any P-Notes have the responsibility to obtain adequate disclosure as to the issuer(s) of such P-Notes and the terms and conditions of any such P-Notes from the issuer(s) of such P-Notes. Neither SEBI nor any other regulatory authority has reviewed or approved any P-Notes or any disclosure related thereto. Prospective investors are urged to consult with their own financial, legal, accounting and tax advisors regarding any contemplated investment in P-Notes, including whether P-Notes are issued in compliance with applicable laws and regulations.

REPRESENTATIONS BY INVESTORS

By purchasing any Equity Shares under the Issue, you are deemed to have agreed as follows:

- you are a QIB and undertake to acquire, hold, manage or dispose of any Equity Shares that are allocated to you for the purposes of your business in accordance with the QIP Regulations;
- you are aware that the Equity Shares under the Issue have not been and will not be registered under the SEBI regulations or under any other law in force in India. The Placement Document has not been verified or affirmed by the SEBI or the Stock Exchanges and will not be filed with the Registrar of Companies. The Placement Document has been filed with the Stock Exchanges for record purposes only and has been displayed on the websites of the Company and the Stock Exchanges;
- you are entitled to subscribe for and/or purchase the Equity Shares under the laws of all relevant jurisdictions which apply to you and that you have fully observed such laws and obtained all such governmental and other guarantees and other consents in either case which may be required thereunder and complied with all necessary formalities;
- you are entitled to acquire the Equity Shares under the laws of all relevant jurisdictions and that you have all necessary capacity and have obtained all necessary consents and authorities to enable you to commit to participate in this Issue and to perform your obligations in relation thereto (including, without limitation, in the case of any person on whose behalf you are acting, all necessary consents and authorities to agree to the terms set out or referred to in the Placement Document) and will honor such obligations;
- the Sole Bookrunner is not making recommendations to you, and not advising you regarding the suitability of any transactions it may enter into in connection with the Issue and that participation in the Issue is on the basis that you are not and will not be a client of the Sole Bookrunner and the Sole Bookrunner does not have duties or responsibilities to you for providing the protections afforded to their clients or customers or for providing advice in relation to the Issue;
- you are aware and understand that the Equity Shares are being offered in India only to QIBs and are not being offered to the general public and the allotment of the same shall be on a discretionary basis;
- you have been provided a serially numbered copy of the Placement Document and have read the Placement Document in its entirety;
- that in making your investment decision, (i) you have relied on your own examination of the Company and the terms of the Issue, including the merits and risks involved, (ii) you have made your own assessment of the Company, the Equity Shares and the terms of the Issue based on such information as is publicly available, (iii) you have consulted your own independent advisors or otherwise have satisfied yourself concerning, without limitation, the effects of local laws, and (iv) you have received all information that you believe is necessary or appropriate in order to make an investment decision in respect of the Company and the Equity Shares;
- you have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of the investment in the Equity Shares and you and any accounts for which you are subscribing the Equity Shares (i) are each able to bear the economic risk of the investment in the Equity Shares, (ii) will not look to the above-mentioned names for all or part of any such loss or losses that may be suffered, (iii) are able to sustain a complete loss on the investment in the Equity Shares, (iv) have no need for liquidity with respect to the investment in the Equity Shares and (v) have no reason to anticipate any change in your or their circumstances, financial or otherwise, which may cause or require any sale or distribution by you or them of all or any part of the Equity Shares;
- that where you are acquiring the Equity Shares for one or more managed accounts, you represent and warrant that you are authorized in writing by each such managed account to acquire the Equity Shares for each managed account;
- you are not a promoter and are not a person related to the promoters, either directly or indirectly and your bid does not directly or indirectly represent the promoter or promoter group of the Company;

- you have no rights under a shareholders agreement or voting agreement with the promoters or persons related to the promoters, no veto rights or right to appoint any nominee director on the Board of the Company other than that acquired in the capacity of a lender which shall not be deemed to be a person related to the promoters;
- you will have no right to withdraw your bid after the Bid Closing Date;
- if allotted Equity Shares pursuant to the Issue, shall, for a period of one year from allotment, sell the Equity Shares so acquired only on the floor of the Stock Exchanges; and
- you are eligible to bid and hold Equity Shares so allotted and together with any ordinary shares held by you prior to the Issue. You further confirm that your holding upon the issue of the Equity Shares shall not exceed the level permissible as per any applicable regulations;
- the bids made by you would not eventually result in triggering a tender offer under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (the "Takeover Code");
- to the best of your knowledge and belief together with other QIBs in the Issue that belong to the same group or are under common control as you, the allotment under the present issue shall not exceed 50.0% of the size of the Issue. For the purposes of this statement:
  - the expression 'belongs to the same group' shall derive meaning from the concept of 'companies under the same group' as provided in sub-section (11) of Section 372 of the Companies Act;
  - "Control" shall have the same meaning as is assigned to it by clause (c) of Regulation 2 of the Takeover Code.
- you shall not undertake any trade in the Equity Shares credited to your depository participant account until such time that the final listing and trading approval for the Equity Shares is issued by the Stock Exchanges;
- you are aware that application has been made to the Stock Exchanges for in-principle approval for listing and admission of the Equity Shares to trading of the Equity Shares on the Stock Exchanges' market for listed securities.
- that the content of the Placement Document is exclusively the responsibility of the Company and that neither the Sole Bookrunner nor any person acting on it's behalf has or shall have any liability for any information, representation or statement contained in the Placement Document or any information previously published by or on behalf of the Company and will not be liable for your decision to participate in the Issue based on any information, representation or statement contained in the Placement Document or otherwise. By accepting a participation in the Issue, you agree to the same and confirm that you have neither received nor relied on any other information, representation, warranty, or statement made by or on behalf of the Sole Bookrunner or the Company or any other person and neither of the Sole Bookrunner nor the Company nor any other person will be liable for your decision to participate in the Issue based on any other information, representation, warranty or statement which you may have obtained or received;
- that the only information you are entitled to rely on and on which you have relied in committing yourself to acquire the Equity Shares is contained in the Placement Document, such information being all that you deem necessary to make an investment decision in respect of the Equity Shares and that you have neither received nor relied on any other information given or representations, warranties or statements made by either of the Sole Bookrunner or the Company and neither of the Sole Bookrunner nor the Company will be liable for your decision to accept an invitation to participate in the Issue based on any other information, representation, warranty or statement;
- all statements other than statements of historical fact included in the Placement Document, including, without limitation, those regarding the Company's financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to the Company's products), are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause actual results to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future.

You should not place undue reliance on forward-looking statements, which speak only as at the date of the Placement Document. The Company assumes no responsibility to update any of the forward-looking statements contained in the Placement Document;

- that you are eligible to invest in India under the applicable law, including the Foreign Exchange Management (Transfer or Issue of Security by Person Resident outside India) Regulations, 2000, as amended from time to time, and have not been prohibited by the SEBI from buying, selling or dealing in securities;
- you agree to indemnify and hold the Company and the Sole Bookrunner harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of the representations and warranties in this paragraph. You agree that the indemnity set forth in this paragraph shall survive the resale of the Equity Shares by or on behalf of the managed accounts;
- you acknowledge (or if you are a broker-dealer acting on behalf of a customer, your customer has confirmed to you that such customer acknowledges) that the QIP Shares have not been and will not be registered under the U.S. Securities Act and you certify that you are, or at the time the QIP Shares are subscribed will be, (1) the beneficial owner of the QIP Shares and you are located outside the United States (within the meaning of Regulation S under the U.S. Securities Act) or (2) if you are a broker-dealer acting on behalf of your customer, your customer has confirmed to you that (a) such customer is, or at the time the QIP Shares are subscribed will be, the beneficial owner of the QIP Shares, and (b) such customer is located outside the United States (within the meaning of Regulation S under the U.S. Securities Act);
- you will not offer, sell, pledge or otherwise transfer QIP Shares except (1) in a transaction exempt from the registration requirements of the U.S. Securities Act and in accordance with all applicable securities laws of the states of the United States or (2) in a transaction in accordance with Rule 904 of Regulation S (such as a tranasaction on the BSE or NSE where neither you nor any person acting on your behalf knows that the purchaser is in the United States) and in accordance with all applicable securities laws of any other applicable jurisdictions, including India; and
- that the Company, the Sole Bookrunner and others will rely upon the truth and accuracy of your foregoing representations, warranties, acknowledgements and undertakings which are given to the Sole Bookrunner on their own behalf and on behalf of the Company and are irrevocable.

DISCLAIMER CLAUSE OF THE STOCK EXCHANGES

As required, a copy of the Placement Document has been submitted to the Stock Exchanges.

The Stock Exchanges do not in any manner:

1. warrant, certify or endorse the correctness or completeness of any of the contents of the Placement Document

2. warrant that this Company's Equity Shares will be listed or will continue to be listed on the Stock Exchanges; or

3. take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

and it should not for any reason be deemed or construed to mean that the Placement Document has been cleared or approved by Stock Exchanges. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to an independent inquiry, investigation and analysis and shall not have any claim against Stock Exchanges whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

PRESENTATION OF FINANCIAL AND USE OF MARKET DATA

We prepare our financial statements in accordance with Indian GAAP. Significant differences exist between Indian GAAP and other accounting principles, such as IFRS and US GAAP, which may be material to investors' assessments of the Company's financial condition. No reconciliation of the financial statements to IFRS or US GAAP financial statements has been provided in this Placement Document. See "Risk Factors" on page 22. The fiscal year of the Company commences on April 1 and ends on March 31, so all references to a particular fiscal year are to the 12-month period ending March 31 of that year.

All discrepancies in the tables included herein between the amounts listed and the totals thereof are due to rounding off.

We publish our financial statements in Indian Rupees.

In this Placement Document, unless otherwise indicated or the context otherwise requires, all references to "DTL", the "Company," "we," "our," "us," or similar terms are to Dynamatic Technologies Limited, and references to "you" are to the prospective investors in the Equity Shares. References in this Placement Document to "India" are to the Republic of India and the "Government" is to the Governments of India, central or state, as applicable. All references to ''Indian Rupees'' and ''Rs.'' or "Indian Rupee" and "Re**.**" are to the currency of India.

The Equity Shares issued pursuant to this Placement Document and the existing Equity Shares shall rank pari passu in all respects from the date of allotment.

INDUSTRY AND MARKET DATA

Information regarding market position, growth rates and other industry data pertaining to our business contained in this Placement Document consists of estimates based on data reports compiled by professional organizations and analysts, data from other external sources and our knowledge of markets in which we compete. The statistical information included in this Placement Document has been reproduced from various trade, industry and government publications and websites. This data is subject to change and cannot be verified with complete certainty due to limits on the availability and reliability of the raw data and other limitations and uncertainties inherent in any statistical survey. In many cases, there is no readily available external information (whether from trade or industry associations, government bodies or other organizations) to validate market-related analyses and estimates, so we rely on internally developed estimates. While we have compiled, extracted and reproduced this data from external sources, including third parties, trade, industry or general publications, we accept responsibility for accurately reproducing such data. However, neither we nor the Sole Bookrunner have independently verified this data and neither we nor the Sole Bookrunner make any representation regarding the accuracy of such data. Similarly, while we believe our internal estimates to be reasonable, such estimates have not been verified by any independent sources and neither we nor the Sole Bookrunner can assure potential investors as to their accuracy.

ENFORCEMENT OF CIVIL LIABILITIES

The Company is a limited liability company incorporated under the laws of India. All or substantially all of the Company's Directors and senior management are residents of India and all or substantially all of the assets of the Company and such persons are located in India. As a result, it may not be possible for investors to effect service of process upon the Company or such persons outside India, or to enforce judgments obtained against such parties outside India.

Recognition and enforcement of foreign judgments is provided for under Section 13 and Section 44A of the Code of Civil Procedure, 1908, of India on a statutory basis. Section 13 of the Civil Code provides that foreign judgment shall be conclusive regarding any matter directly adjudicated upon, except:

(i) where the judgment has not been pronounced by a court of competent jurisdiction;
(ii) where the judgment has not been given on the merits of the case;
(iii) where it appears on the face of the proceedings that the judgment is founded on an incorrect view of international law or a refusal to recognize the law of India in cases to which such law is applicable;
(iv) where the proceedings in which the judgment was obtained were opposed to natural justice;
(v) where the judgment has been obtained by fraud; and
(vi) where the judgment sustains a claim founded on a breach of any law than in force in India.

Under the Civil Code, a court in India shall, upon the production of any document purporting to be a certified copy of a foreign judgment, presume that the judgment was pronounced by a court of competent jurisdiction, unless the contrary appears on record. India is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments. Section 44A of the Civil Code provides that where a foreign judgment has been rendered by a superior court, within the meaning of such Section, in any country or territory outside India which the Government has by notification declared to be a reciprocating territory, it may be enforced in India by proceedings in execution as if the judgment had been rendered by the relevant court in India. However, Section 44A of the Civil Code is applicable only to monetary decrees not being of the same nature as amounts payable in respect of taxes, other charges of a like nature or of a fine or other penalties.

The United Kingdom, Singapore and Hong Kong have been declared by the Central Government to be reciprocating territories for the purposes of Section 44A. A judgment of a court of a country which is not a reciprocating territory may be enforced only by a suit upon the judgment and not by proceedings in execution. Such a suit has to be filed in India within two years from the date of the judgment in the same manner as any other suit filed to enforce a civil liability in India. Execution of a judgment or repatriation outside India of any amounts received is subject to the approval of the RBI. It is unlikely that a court in India would award damages on the same basis as a foreign court if an action was brought in India. Furthermore, it is unlikely that an Indian court would enforce foreign judgments if that court were of the view that the amount of damages awarded was excessive or inconsistent with public policy. A party seeking to enforce a foreign judgment in India is required to obtain approval from the RBI to execute such a judgment or to repatriate outside India any amount recovered. It is uncertain as to whether an Indian court would enforce foreign judgments that would contravene or violate Indian law.

FORWARD LOOKING STATEMENTS

All statements contained in this Placement Document that are not statements of historical fact constitute "forward-looking statements." Investors can generally identify forward-looking statements by terminology such as "aim", "anticipate", "believe", "continue", "could", "estimate", expect", "intend", "may", "objective", "plan", "potential", "project", "pursue", "shall", "should", "will", "would", or other words or phrases of similar nature.

All statements regarding our expected financial condition and results of operations, business, plans and prospects are forward-looking statements. These forward-looking statements include statements as to our business strategy, our revenue and profitability, planned projects and other matters discussed in this Placement Document regarding matters that are not historical facts. These forward-looking statements and any other projections contained in this Placement Document (whether made by us or any third party) are predictions and involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections. All forward looking statements are subject to risks, uncertainties and assumptions about us that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause actual results to differ materially from our expectations include, among others:

- General political, economic and business conditions in India and other countries;
- Performance of Indian capital markets;
- Changes in regulatory laws;
- Changes in foreign exchange control regulations in India;
- Changes in the competitive landscape in our industry;
- Cash flow projections;
- The loss of any significant clients;
- The Company's ability to successfully implement its strategy and expansion plans;
- Competitive pressures;
- Potential mergers, acquisitions and restructurings;
- Cost overruns, delays and disruptions in completion and commissioning of projects;
- Occurrence of natural calamities affecting the areas in which the Company has operations; and
- Other factors discussed in this Placement Document, including under "Risk Factors".

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Industry" and "Our Business".

The forward-looking statements contained in this Placement Document are based on the beliefs of the management, as well as the assumptions made by and information currently available to management. Although we believe that the expectations reflected in such forward-looking statements are reasonable at this time, we cannot assure investors that such expectations will prove to be correct. Given these uncertainties, investors are cautioned not to place undue reliance on such forward-looking statements. If any of these risks and uncertainties materialize, or if any of our underlying assumptions prove to be incorrect, our actual results of operations or financial condition could differ materially from that described herein as anticipated, believed, estimated or expected. All subsequent written and oral forward-looking statements attributable to us are expressly qualified in their entirety by reference to these cautionary statements. We do not undertake any obligation to update publicly or revise any forward looking statements.

DEFINITIONS AND ABBREVIATIONS

Definitions of Certain Capitalized Terms Used in this Placement Document

The following list of defined terms is intended for the convenience of the reader only and is not exhaustive.

Terms	Description
"Dynamatic Technologies Limited" or "DTL" or "the Company" or "our Company"	Dynamatic Technologies Limited, a public limited company incorporated under the Companies Act, 1956.
"We" or "us" or "our"	Refers to Dynamatic Technologies Limited and wherever the context requires, includes its subsidiaries
Allocated, Allocation	The determination of QIBs for the purposes of inviting submission of CAN, done in consultation with the Sole Bookrunner and in compliance with Chapter XIII-A of the SEBI Guidelines.
Allotment	Unless the context otherwise requires, the allotment of Equity Shares to the successful Investors pursuant to the Issue.
Application Form	The form pursuant to which the QIBs who have been allocated Equity Shares after discovery of the Issue Price apply for the allotment of the Equity Shares allocated
Articles/Articles of Association	Articles of Association of our Company.
Auditor	Price Waterhouse & Co, Chartered Accountants
Banker to the Issue / Placement	Standard Chartered Bank
Bid	An indication of QIBs' interest, including all revisions and modifications of interest, as provided in the Bid Form to subscribe for Equity Shares of the Company under this Issue.
Bid Closing Date	August 07, 2008
Bid Form	The form pursuant to which a QIB shall submit a Bid.
Bid Opening Date	July 28, 2008
Board of Directors/Board	The board of directors of our Company or a committee constituted thereof.
CAN / Confirmation of Allocation Note	The note or advice or intimation of allocation of Equity Shares sent to QIB investors who have been allocated Equity shares at Issue price
CDSL	Central Depository Services (India) Limited
Companies Act	The Companies Act, 1956, as amended from time to time.
Cut-off Price	The Issue Price which shall be finalized by the Company in consultation with the Sole Bookrunner.
Depositories Act	The Depositories Act, 1996, as amended from time to time.
Depository	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time.

Terms	Description
Depository Participant	A depository participant as defined under the Depositories Act.
Director(s)	Director(s) on the Board of our Company, unless otherwise specified.
Designated Date	The date for allotment of the Equity Shares being offered through this Placement Document
Equity Shares	Equity shares of the Company of face value of Rs. 10 each, unless specified otherwise in the context thereof.
Equity Shareholder	Means a holder of Equity Shares
FII(s) Foreign Institutional Investors	Foreign Institutional Investor (as defined under the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995) registered with SEBI under applicable laws in India.
Floor price	Rs. 1,233.18 which has been calculated in accordance with clause XIIIA of the SEBI Guidelines.
Government	Government of India, unless otherwise specified in the context thereof.
Investors	Any prospective investor who makes a Bid pursuant to the terms of this Placement Document.
Issue	The present issue of 604,000 Equity Shares of Dynamatic Technologies Limited of Rs.10 each for cash at a price of Rs.1,234 per Equity Share including a premium of Rs.1224 aggregating to Rs.745.34 million to Qualified Institutional Buyers, pursuant to Chapter XIII-A of the SEBI Guidelines.
Issue Closing Date	The date after which no applications will be accepted from QIBs.
Issue Opening Date	The date from which applications will be accepted from QIBs.
Issue Period	Period between the Issue Opening date and the Issue Closing date inclusive of both days and during which prospective QIB investors can submit their application forms
Issue Price	A price per Equity Share of Rs. 1,234.
Issue Size	The issue of 604,000 Equity Shares aggregating to Rs. 745.34million.
Legal Counsel to the Issue	ALMT Legal, Advocates & Solicitors
Memorandum/ Memorandum of Association	The Memorandum of Association of our Company.
Mutual Fund	A mutual fund registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996.
Pay-in Date	The last date specified in the CAN sent to QIBs.
Placement Document	This Placement Document dated August 07, 2008, issued in accordance with Chapter XIII-A of the SEBI Guidelines.
Promoters	Mr. Udayant Malhoutra and Mrs. Barota Malhoutra.
QIBs or Qualified Institutional Buyers	A Qualified Institutional Buyer as defined under clause 2.2.2B (v) of the SEBI Guidelines.

Terms	Description
Registrar	Karvy Computershare Private Limited.
Registrar of Companies	Registrar of Companies, Karnataka.
Relevant Date	May 31, 2008 (i.e., the day which is thirty days prior to the date on which the meeting of general body of shareholders was held, i.e.: June 30, 2008, in terms of sub-section (1A) of Section 81 of the Companies Act, 1956).
SEBI	Securities and Exchange Board of India.
SEBI Act	The Securities and Exchange Board of India Act, 1992, as amended from time to time.
SEBI DIP Guidelines	The SEBI (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI, as amended, including instructions and clarifications issued by SEBI from time to time.
SICA	Sick Industrial Companies (Special provisions) Act, 1985.
Sole Bookrunner	Spark Capital Advisors (India) Private Limited
Stock Exchanges	BSE and NSE
Takeover Code	SEBI (Substantial Acquisition of Shares and Takeovers) Regulation, 1997, as amended

Abbreviations

Terms	Description
AGM	Annual General Meeting
AS / Accounting Standards	Accounting Standards as issued by the Institute of Chartered Accountants of India and notified under Section 211(3C) of the Companies Act.
BgSE	The Bangalore Stock Exchange Limited
BOLT	BSE's online trading facility
BSE	The Bombay Stock Exchange Limited
CAGR	Compound Annual Growth Rate
CDSL	Central Depository Services (India) Limited
EGM	Extra-ordinary General Meeting
ESOP	Employee Stock Option Plan
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time, and the regulations framed there under
FI	Financial Institution
GAAP	Generally Accepted Accounting Practices
GBP	Great Britain Pound

Terms	Description
ICAI	Institute of Chartered Accountants of India
IFRS	International Financial Reporting Standards
Indian GAAP	Generally Accepted Accounting Principles in India
I-T Act	Income Tax Act, 1961, as amended from time to time
NRIs	Non-Resident Indians, as defined under FEMA
NSDL	National Securities Depository Limited
NSE	The National Stock Exchange of India Limited
OCBs	Overseas Corporate Bodies, as defined under FEMA
p.a	Per Annum
P/E Ratio	Price Earning ratio
PAN	Permanent Account Number
PAT	Profit after Tax
PBDIT	Profit before Depreciation Interest and Tax
PBDT	Profit before Depreciation and Tax
PBT	Profit before Tax
RBI	Reserve Bank of India
STT	Securities Transaction Tax
UK	United Kingdom
US or USA	United States of America
US$ or US Dollar	The official currency of the United States of America
VAT	Value Added Tax

Industry and Business Related Abbreviations

Terms	Description
ADE	Aeronautical Development Establishment
ASIEO	Advanced Systems Integration & Evaluation Organisation
CVs	Commercial Vehicles
CFD	Computational Fluid Dynamics
DAC	Defence Acquisition Council
DOFA	Defence Offset Facilitation Agency
DPP	Defence Procurement Procedure
DRDO	Defense Research and Development Organisation

Terms	Description
FEM	Finite Element Method
Government	Government of India
HAL	Hindustan Aeronautics Limited
IATA	International Air Transport Association
OEM	Original Equipment Manufacturers
Offset Policy	The Offset Policy announced by the Government of India as part of the Defence Procurement Procedure from time to time
R & D	Research and Development
RFP	Request for Proposal

SOLE BOOK RUNNER AND OTHER ADVISORS TO THE ISSUE

Sole Bookrunner	**Spark Capital Advisors (India) Private Limited** "Reflections", New No:2, Old No. 12, Leith Castle Center Street, Santhome High Road, Santhome, Chennai – 600 028 INDIA
Legal Advisor	**ALMT Legal** *Advocates & Solicitors* 2, Lavelle Road Bangalore 560 001 INDIA
Registrar to the Issue	**Karvy Computershare Pvt Limited** Plot No. 17-24 Vittal Rao Nagar Madhapur Hyderabad 500 081 INDIA
Auditors	**Price Waterhouse & Co**, *Chartered Accountants* 5th Floor, Tower D, The Millenia 1 & 2 Murphy Road, Ulsoor, Bangalore 560 008 INDIA

SUMMARY OF ISSUE AND THE INSTRUMENT

This summary should be read in conjunction with, and is qualified in its entirety by more detailed information and Financial Statements, including the notes thereto, appearing on page 144 *of this Placement Document. Prior to making an investment decision, prospective QIB investors should carefully consider all of the information contained in this Placement Document including Risk Factors beginning on page* 22 *of this Placement Document.*

Issuer	Dynamatic Technologies Limited, a public company with limited liability incorporated under the laws of India
The Issue (Note1)	604,000 Equity Shares of Rs.10 each for cash at a price of Rs. 1,234 per Equity Share, including a premium of Rs. 1224, aggregating Rs. 745.34 million.
of which Reserved for Mutual Funds **(Note 2)**	60,400 Equity Shares of Rs.10 each for cash at a price of Rs. 1,234 per Equity Share, including a premium of Rs. 1224, aggregating Rs. 74.53 million.
Issue Price	Rs.1,234 per Equity Share The floor price of the issue on the basis of clause 13A.3 of Chapter XIII-A of the SEBI DIP Guidelines is Rs. 1,233.18 per share.
Eligible Investors	Qualified Institutional Buyers as defined in clause 2.2.2B (v) of SEBI DIP Guidelines
Authority for the Issue	The Issue has been authorized pursuant to a resolution of the Board of Directors of our Company adopted on June 06, 2008 The Issue has been authorized by a special resolution adopted pursuant to Section 81(1A) of the Companies Act, 1956 (the "Companies Act") at the Extra-ordinary General Meeting of our Company's shareholders held on June 30, 2008 pursuant to which our Company's shareholders approved an equity Issue in the amount of up to Rs. 1,250 million.
Equity Shares issued and outstanding immediately prior to and after the Issue	4,810,703 Equity Shares issued and outstanding immediately prior to the Issue. Immediately after the Issue, 5,414,703 Equity Shares will be issued and outstanding
Listing	The Company shall make applications to each of the Stock Exchanges to obtain in-principle approvals for the listing of the Equity Shares on the Stock Exchanges.
Transferability of specified securities	Equity Shares allotted pursuant to this Placement Document shall not be sold by allottees for a period of one year from the date of allotment, except on a recognized stock exchange or a block / bulk transaction in accordance with the procedures prescribed by SEBI and the Stock Exchange.
Closing	The allotment of Equity Shares offered pursuant to this Issue is expected to be made on or about August 08, 2008 ("the Closing Date")
Ranking	The Equity Shares being issued shall be subject to the provisions of our Company's Memorandum and Articles of Association and shall rank pari passu in all respects with the existing Equity Shares including rights in respect of dividend.
Dividends	Shareholders will be entitled to receive dividends, as per the provisions of the Companies Act. The declaration and payment of dividends, if any, on our Company's issued and outstanding Equity Shares and the amounts thereof, will depend upon,

	among other things, the amount of our Company's distributable profits and reserves calculated on an unconsolidated basis, its earnings, financial condition and cash requirements, applicable restrictions under the laws of India and other factors the Board of Directors of our Company may deem relevant. Cash dividends on the QIP Shares, if any, will be paid in Indian rupees and, subject to any restrictions imposed by the laws of India. See "*Dividends*" on page 40 and "*Taxation*" on page 132.
Taxation	The Indian Income Tax Act, 1961 (the "**Income Tax Act**") is the law relating to taxes on income in India. The Income Tax Act provides for the taxation of persons resident in India on global income and persons not resident in India on income received, accruing or arising in India or deemed to have been received, accrued or arisen in India. Sections 5, 6 and 9 of the Income Tax Act set forth the circumstances under which persons not resident in India are subject to income tax in India. See "*Taxation*" on page 132.
Voting rights of shareholders	Shareholders may attend and vote at shareholders' meetings on the basis of one vote for each Equity Share held.
Restriction on the resale of QIP Shares	The resale of the QIP Shares by the purchasers in this Issue is subject to certain restrictions described in "*Transfer Restrictions*" on page 121.
Listings and trading markets for the QIP Shares	Our Company's outstanding Equity Shares are listed in India on the Stock Exchanges. Our Company's Equity Shares have been listed on the BSE since September 03, 1974 and the NSE since September 14, 2006. Our shares were previously listed on the Bangalore Stock Exchange and have been delisted with effect from January 10, 2005. As at June 30, 2008, there were 5,753 holders on record of our Company's Equity Shares. Our Company undertakes to apply to have the QIP Shares to be issued in connection with the Issue approved for listing on the BSE and the NSE.
Use of proceeds	The net proceeds of this Issue (after deduction of fees, commissions and expenses) are expected to be approximately Rs. 735.34 million We intend to use the net proceeds received from the Issue to finance the Company's growth and business objectives. Please see "Use of Proceeds" on 38
Risk Factors	Prior to making an investment decision in this Issue prospective investors should consider carefully the matters discussed under the section entitled see 'Risk Factors' on page 22.
Security Codes	ISIN : INE221B01012 BSE Code : 505242 NSE Code :DYNAMATECH

Notes:

1. The following provisions of the QIP Regulations are highlighted for your attention:

- For each placement under this Placement Document, there shall be at least two allottees for an issue of size up to Rs.2,500 million and at least five allottees for an issue size in excess of Rs.2,500 million. Further, no single allottee shall be allotted in excess of 50% of the issue size.
- Investors shall not be allowed to withdraw their bids / applications after closure of the Issue;
- The aggregate funds that can be raised through QIPs in one fiscal shall not exceed five times of the net worth of the Company at the end of its previous fiscal. This Issue will not exceed five times of the Company's net worth at the end March 31,2008;

- The shareholders resolution approving this Issue, passed under sub-section (1A) of Section 81 of the Companies Act, 1956, will remain valid for a period of 12 months from the date of passing of the resolution (in the present case, until June 30, 2009. There shall be a gap of at least six months between each placement in case of multiple placements of equity shares pursuant to authority of the same shareholders' resolution; and
- A copy of the Placement Document shall be filed with SEBI for record purpose within 30 days of the allotment of the Equity Shares.

2. Under clause 13A.2.1 of the QIP Regulations a minimum of 10% of the specified securities issued shall be allotted to mutual funds. However, if no mutual fund is agreeable to take up the minimum portion mentioned above or any part thereof, such minimum portion or part thereof may be allotted to other QIBs.

RISK FACTORS

An investment in our Equity Shares involves a high degree of risk. You should carefully consider all of the information in this Placement Document, including the risks and uncertainties described below, before making an investment in our Equity Shares. Any potential investor in, and purchaser of, the Equity Shares should also pay particular attention to the fact that we are governed in India by a legal and regulatory environment which in some material respects may be different from that which prevails in other countries. If any of the following risks materialize, our business, financial condition and results of operations could suffer, the trading price of our Equity Shares could decline and you may lose all or part of your investment in the Equity Shares.

1. ***We are involved in legal proceedings***

   Our Company is involved in litigations relating to income tax matters which are at different stages of adjudications in various fora. The amounts claimed in these proceedings against us have been classified in our financial statements as contingent liabilities which includes dispute under income tax matters to the extent of Rs.1.52 million. Should any new developments arise, such as a change in Indian law or rulings against us, we may need to make provisions in the financial statements which could increase our expenses and liabilities. We are involved in litigations for a variety of reasons, which generally arise when in the usual course of business. For details of litigations involving the Company, please see “Legal Proceedings” on page 137.

2. ***Risk relating to tender based business***

   A portion of our business is derived through open/limited tendering. Any miscalculation in the bidding for the tenders, may adversely affect the revenue earning potential of our Company. Once prospective bidders clear the technical requirements of the tender, the contract is usually awarded to the most competitive financial bidder. Also with competition in this sector, we face the risk of being outbid by an aggressive competitor on the pricing front. We face competition from companies who may operate on a larger scale than us and so may be able to achieve better economies of scale than us. As a result, the Company’s financial results and business prospects may be adversely affected.

   Our margins are susceptible to decline, as contracts in the sectors that we operate in are increasingly being awarded by government entities to the lowest bidder, causing the Company to accept lower margins in order to be awarded the contract.

3. ***Contracts awarded to our Company, are standard form contracts and contain many terms that favor the entity awarding the contract.***

   Since there is intense competition for procuring and executing contracts, it is generally a buyers market and the party awarding the contract is usually in a position of strength. Due to the foregoing, we may have a limited ability to negotiate the terms of these contracts which may at times tend to favor the party awarding the contract.

4. ***We could be adversely affected if we fail to keep pace with technical and technological developments in our industry.***

   Our recent experience indicates that clients are increasingly developing larger, more technically complex projects in the hydraulics, automotive and aerospace sector using latest technology. To meet our clients’ needs, we must regularly update existing technology and acquire or develop new technology for our engineering services. In addition, rapid and frequent technology and market demand changes can often render existing technologies and equipment obsolete, requiring substantial new capital expenditures and/or write-downs of assets. Our failure to anticipate or to respond adequately to changing technical, market demands and/or client requirements could adversely affect our business and financial results.

5. ***Delays in the completion of current and future assignments could have adverse effects on our Company’s financial results***

Typically, our contracts in the aerospace, hydraulic and automotive sectors are subject to specific completion schedule requirements. Failure to adhere to contractually agreed timelines for reasons other than for force majeure events could result in our Company being required to pay liquidated damages or penalty amounts, may lead to forfeiture of security deposits, or performance guarantees being invoked. Delay in performing our contracts means that the total cost of the contract could exceed the original estimates and our Company could experience a reduced profit or a loss on that contract.

6. ***Given the long-term duration of the assignments we undertake in our aerospace division, we face various kinds of implementation risks.***

Most assignments we undertake in our aerospace division involve implementation periods that are long-term in nature. Long term duration implementation assignments are assignments with more than one year duration. Average duration of most of the projects we undertake range between 2 and 3 years. These long term agreements have inherent risks associated with them that may not necessarily be within our control and accordingly our exposure to a variety of implementation and other risks, including delays, material shortages, unanticipated cost increases, cost overruns, etc.

7. ***We do not have long term contracts with our customers***

While our contracts have long term implementation schedules, have not executed long term contracts with our domestic or international customers. Our sales are based on purchase orders that are placed by the customers depending on their requirements. Consequently, our revenue flow is also dependent on the requirements of the customers. In the absence of long term contracts, there can be no assurance that a particular customer/ client would continue to source their supplies from us in the future. A reduction in the purchase orders placed by the customers may adversely affect or business and revenues. Further, any loss of our major customers arising out of competition or from cheaper sources can lead to reduced margins and our results and operations may be affected.

8. ***Our Top 5 customers contributed around 66%, 73% and 71% of our total income for the Fiscal 2008, Fiscal 2007 and Fiscal 2006 respectively. Our Top 10 customers contributed around 75%, 81% and 80% of our total income for the Fiscal 2008, Fiscal 2007 and Fiscal 2006 respectively.***

If we lose one or more large customers and fail to add sufficient new customers to offset such losses, our results of operations could be adversely affected. In addition, any consolidation among our customers would be likely to increase our reliance on a few key customers.

9. ***Our clients prescribe various standards which we are required to comply with and they conduct regular audits to check regulatory compliance.***

Our supplies are to clients in various countries including the Americas and Europe, where they have strict environmental, manufacturing, employee and other legislations which govern their sourcing of equipments. Any non-compliance on our behalf with respect to such customer requirements and dissatisfaction by customers during their audit checks can lead to loss of customers and thus result in losses and affect our future results of operation.

10. ***Export obligation under the Import and Export policy***

We presently import and shall continue to import machineries under Export Promotion Capital Goods Scheme (EPCG Scheme). One of the conditions subject to which license under EPCG Scheme is granted is to achieve export obligations based on concession in import duty availed. Any failure on our part to achieve required export obligation will subject us to obligation to pay the customs duty saved due to EPCG Scheme together with interest. Further, for our existing business operations, we had imported machineries under EPCG Scheme. Our total export obligation is Rs. 349.71 million, of which Rs. 267.94 million is to be achieved by the year 2012 and Rs. 81.77 million is to be achieved by the year 2016. As on March 31, 2008, we have exported goods worth of

Rs. 191.32 million. Accordingly, our subsisting export obligation is Rs. 349.71 million. If we fail to achieve this export obligation we will be subjected to similar disadvantage as aforesaid.

11. ***Our contracts are dependent on adequate and timely supply of key raw materials. If we are unable to procure the requisite quantities of raw materials in time and at commercially acceptable prices, the performance of our business and results of operations may be adversely affected.***

Timely and cost effective execution of our projects is dependant on the adequate and timely supply of key raw materials. We have not entered into any long-term supply contracts with our suppliers. Additionally, we typically use third-party transportation providers for the supply of most of our raw materials. Further, transportation costs have been steadily increasing, and the prices of raw materials themselves can fluctuate. If we are unable to procure the requisite quantities of raw materials in time and at commercially acceptable prices, the performance of our business and results of operations may be adversely affected.

12. ***If we are unable to execute larger assignments and effectively manage our growth, our business could be disrupted and our profitability could be reduced.***

We have experienced considerable growth in recent years. The income in Fiscal 2006, 2007 and 2008 was Rs. 2,015.05 million, Rs. 2,452.63 million and Rs. 3,663.13 million respectively. The total income grew at a CAGR of 35% during the period. The profit after tax in Fiscal 2006, 2007 and 2008 was Rs. 115.90 million, Rs. 131.19 million and Rs.186.22 million respectively. The profit after tax grew at a CAGR of 27% during the period.

We expect our business to continue to grow as we gain greater access to financial resources and procure larger and potentially more profitable assignments by our clients. While larger assignments provide the opportunity for greater profitability, they also pose greater challenges and risk. We expect our growth strategy to place significant demands on us and require us to continuously evolve and improve our operational, financial and internal controls, including management controls, reporting systems and procedures, across our organization. In particular, expansion increases the challenges involved in:

- preserving a uniform culture, values and work environment across our projects;
- developing and improving our internal administrative infrastructure, particularly our financial, operational, communications, internal control and other internal systems;
- recruiting, training and retaining sufficient skilled management, technical and marketing personnel;
- requirements for increased amount of working capital and, therefore, increasing amounts of debt financing;
- maintaining high levels of client satisfaction; and
- adhering to health, safety, and environmental standards.

If we fail to effectively manage our future assignments or our growth generally, it could have an adverse effect on our business, results of operations and financial condition.

13. ***Our sustained growth depends on our ability to attract and retain skilled manpower. Failure to attract and retain skilled manpower could adversely affect our growth strategy. Any significant changes in the key managerial personnel, may affect the performance of our Company.***

Our ability to meet future business challenges depends on our ability to attract, recruit and retain skilled and key managerial personnel. We are highly dependent on our senior management, our Board of Directors and other key personnel, including skilled project management personnel. A significant number of our employees are skilled engineers and we face strong competition to recruit and retain skilled and professionally qualified staff. Due to the limited pool of available skilled personnel, competition for senior management and skilled engineers in our industry is intense. We may experience difficulties in attracting, recruiting and retaining an appropriate number of managers and engineers for our business needs. Our future performance will depend upon the continued services of these persons. The loss of any of the members of our senior management, our directors or other key personnel or an inability to manage the attrition levels in different employee categories may materially and adversely impact our business and results of operations.

14. ***The assets of our Company have been charged in favour of our lenders***

Our Company has availed of financial assistance and credit facilities from various banks and financial institutions. As security for the financial assistance extended, we have created a charge on the fixed assets and current assets of our Company. Further, our promoter directors have furnished personal guarantees and charged their personal properties in favor of the lenders.

We have mortgaged the following two properties in favour of our lenders by way of deposit of title deeds:

S No	Description of the property
1	Plot no.11, Peenya Industrial Area, Tumkur Road, Bangalore 560 0588 within the village limits of Chokkasandra, Yeshwanthpur Hobli, Bangalore admeasuring 20,848 Sq. mtrs together with all buildings and structures thereon and all plant and machinery attached to the earth or permanently fastened to anything attached to earth
2	Plot No. F-68, SIPCOT Industrial Park at Irrungattukottai within the village limits of Katarambakkam, Sriperampabudur Taluk, Kancheepuram Revenue District admeasuring 1.98 acres.
3	Plot No. F-67, SIPCOT Industrial Park at Irrungattukottai within the village limits of Katarambakkam, Sriperampabudur Taluk, Kancheepuram Revenue District admeasuring 1.98 acres.

Failure to repay the loans or adhere to the terms and conditions of the loan agreements, the lenders inter alia, have the right to dispose off the assets charged. Consequently, in the event that our Company is in breach of the loan agreements, the ensuing rights available to the lenders may adversely affect our business and operation.

15. ***As per loan agreements executed by us with our bankers, we are subject to several restrictive covenants which may hamper our future business growth.***

As per our current financing arrangements with banks, we are subject to certain restrictive covenants which require us to obtain the prior consent of the respective lenders before undertaking certain actions such as:

i. effect any change in the capital structure
ii. formulate any scheme of amalgamation or reconstruction.
iii. implement any scheme of expansion, diversification or acquire fixed assets.
iv. make investments/ advances or deposit amounts with any other concern.
v. enter into fresh borrowing arrangements with any bank/FI/company.
vi. undertake guarantee obligations on behalf of any other company.
vii. declare dividends for any year except out of profits relating to that year provided that no default had occurred in any repayment obligation
viii. compliance of all the laws and regulations applicable to its operations
ix. change in composition of Company’s Board of Directors

In the event that such lenders, in the future decline to consent or delay in granting the consent to our plans of expansion/modernization/diversification of our business, such declination or delay as the case may be may have adverse bearing on our future growth plan.

16. ***We have significant working capital requirements and require debt to partly finance our projects. If we experience insufficient cash flows or are unable to obtain the necessary funds to allow us to make required payments on our debt or fund working capital requirements, there may be an adverse effect on our results of operations***

Our business requires a significant amount of working capital. In many cases, significant amounts of working capital are required to finance the purchase of raw materials, the hiring of equipment and the performance of engineering, etc. As at March 31, 2008, on a consolidated basis, we had outstanding secured loans of Rs. 1,575.78 million and Rs. 67.59million in unsecured loans.

17. Intellectual Property Rights

We have registered trademarks of our Company and have also applied for patents in the name of the Company. Some of the said applications are pending approval of the authorities. For details, please see "*Our Business - Intellectual Property Rights*" on page 67.

Apart from the above stated, we have neither registered nor made any applications for registration of the any other trademarks or patents. Non registration of a patent may adversely affect our ability to protect our patents against infringements.

18. We may be faced with additional financial liability should any authority / court reach a conclusion that the title deeds pertaining to properties leased to us are not adequately stamped and registered.

Some of the lease deeds/agreements of our Company are not adequately stamped and registered. The potential consequence of this could be that the said lease documents may not be admissible as evidence in a court of law, until the relevant stamp duties and penalties are paid and the relevant registration, if required, is done. Further, some of the lease deeds executed by our Company have expired and have not been renewed; however the Company is in possession of those properties. Any claim or adverse order/ finding in connection with these properties could adversely affect the operations of our Company.

19. We are in the process of renewing our consents/licenses under the Air (Prevention & Control of Pollution) Act, 1981 & Water (Prevention & Control of Pollution) Act, 1974

Our consents/licenses under the Air (Prevention & Control of Pollution) Act, 1981 & Water (Prevention & Control of Pollution) Act, 1974 have expired as it was valid till June 30, 2008. Our Company has made an application before the Karnataka State Pollution Control Board for renewal of the said consents.

Failure to renew the said consents could adversely affect our operations.

20. Our business is dependent on our manufacturing facilities. The loss of or shutdown of operations at any of our manufacturing facilities may have a material adverse effect on our business, financial condition and results of operations.

Our principal manufacturing facilities are located at Bangalore and Chennai and are subject to operating risks, such as the breakdown or failure of equipment, power supply or processes, performance below expected levels of output or efficiency, obsolescence, labour disputes, strikes, lock-outs continued availability of services of our external contractors, earthquakes and other natural disasters, industrial accidents and the need to comply with the directives of relevant government authorities. The occurrence of any of these risks could significantly affect our operating results.

Although we take precautions to minimize the risk of any significant operational problems at our facilities, our business, financial condition and results of operations may be adversely affected by any disruption of operations at our facilities, including due to any of the factors mentioned above.

21. We have entered into a Settlement Agreement with our employees

Our employees at our factory at Bangalore are represented by the Engineering & General Workers' Union (Regd) and affiliated to All India Trade Union Congress (AITUC), a trade union. The management of our Company had entered into an Agreement of Settlement dated January 24, 2008 with its workmen represented by the Engineering & General Workers' Union, the terms of which are in force from September 01, 2007 till March 31, 2010.The Agreement provides for the terms and conditions of employment including wages and allowance, increments and promotions, incentives, leave, bonus, discipline, etc of the employees.

22. Increase in wages payable to our employees could reduce our cash flows and profit margins.

Historically, wage costs in the Indian manufacturing industry have been significantly lower than wage costs in more developed countries. However, in recent years wage costs in the industry have been increasing at a faster rate than those in certain developed countries. In the long run, wage increases may make us less competitive unless we are able to continue to increase the efficiency and productivity of our professionals, the prices we can charge for our products and services or both. Increases in wages, could reduce our cash flows and our profit margins.

23. ***Foreign Currency Risk***

A portion of our revenue is denominated in foreign currency and we have also availed certain secured loans in foreign currency. To mitigate the foreign currency price fluctuations we have take certain derivate contracts. Please refer to notes 20 and 21 of Notes to the consolidated accounts on page 167. Since our buyers compare our product with that of our competitor in USD denominated rate, appreciation or depreciation of India Rupee vis-à-vis USD, Euro and GBP would weaken or strengthen our competitive position. Exchange rates have been in the past and may continue to be volatile in the future. If exchange rates prove unfavorable in the future, our results from operations may be impacted.

24. ***We have made applications to various authorities for renewing our licenses and we have not obtained licenses for our operations.***

We have made applications to various statutory authorities for renewal of our existing licenses, which are pending renewal and we have also not obtained licenses for our projects though we have made applications for certain licenses. There is no guarantee that these approvals will be granted by the relevant authorities. Delay or inability to obtain these licenses may subject the Company and its directors to penalties and could cause undue delays or inability in the continuation of our business and the commencement of the projects.

25. ***We have made certain applications before the Industries (Development and Regulation) Authority seeking permission to manufacture defence equipments***

Our Company has made the following applications to the Industries (Development and Regulation) Authority seeking permission to manufacture defence equipments:

(i) Application dated October 10, 2007 for grant of industrial license to manufacture auxiliary power unit, distribution mechanism, hydraulic pumps;
(ii) Application dated October 12, 2007 to manufacture of parts and accessories of aircraft or space craft, heavy vehicles such as battle tanks and sub-systems and transport equipment and parts for defense applications;
(iii) Application dated December 10, 2007 for industrial license for manufacture of heavy motor vehicles;
(iv) Application dated December 10, 2007 for industrial license to manufacture of transport equipments such as armed vehicles.

There is no guarantee that the authority will grant such license. Further, in the event that such license is granted and our Company engages in the manufacture of defense equipments, our Company would have to adhere to the prevalent provisions of the exchange control regulations, which inter alia, restrict the amount of foreign investment in companies undertaking the activity of manufacture of defense equipments. . In this regard, our Company intends to approach the FIPB (Foreign Investment Promotion Board) for approval of the foreign investment in the Company to comply with the exchange control regulations. In the event of our Company not receiving necessary approvals from FIPB, we may not proceed with manufacturing of such defence equipments and may take necessary steps to surrender such license.

26. ***We may undertake acquisitions, divestitures, investments and strategic relationships in the future which may pose management and other challenges.***

We may make acquisitions, divestitures, investments and strategic relationships in the future as part of our strategy in India and overseas. These acquisitions, divestitures, investments and strategic relationships, may not necessarily contribute to our profitability and may divert the attention of our management or require us to assume high levels of debt or contingent liabilities, as part of such transactions. In addition, we could experience difficulty in combining operations and cultures and may not realize the anticipated synergies or efficiencies from such acquisition transactions.

27. ***Shares aggregating to 100% of the share capital of our subsidiary company, JKM Global Pte Limited have been pledged by us in favor of State Bank of India, London.***

Our Company has pledged 2,4327,65 equity shares held by us in our wholly owned subsidiary, JKM Global Pte Limited, Sinagapore in favor of the State Bank of India, London as security for the availing of a term loan. In the event that our Company defaults in the repayment of the loan, State Bank of India, London may enforce the security furnished by our Company. Consequently, in the event that the pledge is enforced, the shareholding of our Company in JKM Global Pte Limited would be reduced by a substantial extent and may adversely affect the shareholding and/ or management structure of our group.

28. ***Our insurance coverage may not adequately protect us against certain operating hazards***

Operating and managing our manufacturing facilities involves many risks that may adversely affect our operations, and the availability of insurance is therefore important to our operations. Fire or other perils may cause injury and loss of life and damage to and destruction of property and equipment. We maintain general liability insurance coverage in relation to our assets, stocks, and properties. We believe that our insurance coverage is generally consistent with industry practice. However, to the extent that any uninsured risks materialize or we fail to effectively cover ourselves for any risks, we could be exposed to substantial costs and losses that would adversely affect results of operations. In addition, we cannot be certain that our coverage will be available in sufficient amounts to cover one or more large claims, or that our insurers will not disclaim coverage as to any claims. A successful assertion of one or more large claims against us that exceeds our available insurance coverage or that leads to adverse changes in our insurance policies, including premium increases or the imposition of a large deductible or co-insurance requirement, could adversely affect our results of operations.

29. ***Our business is subject to a significant number of tax regimes; and changes in legislation governing the rules implementing them or the regulator enforcing them in any one of those jurisdictions could negatively and adversely affect our results of operations.***

We currently have operations and staff spread various jurisdictions. Consequently, we are subject to the jurisdiction of a number of tax authorities and regimes. The revenues recorded and income earned in these various jurisdictions are taxed on differing bases, including net income actually earned, net income deemed earned and revenue-based tax withholding. The final determination of our tax liabilities involves the interpretation of local tax laws and related regulations in each jurisdiction as well as the significant use of estimates and assumptions regarding the scope of future operations and results achieved and the timing and nature of income earned and expenditures incurred. Changes in the operating environment, including changes in tax law, could impact the determination of our tax liabilities for any given tax year.

Taxes and other levies imposed by the central or state governments in India that affect our industry include customs duties, excise duties, VAT, income tax, service tax and other taxes, duties or surcharges introduced from time to time. The central and state tax scheme in India is extensive and subject to change from time to time. Any adverse changes in any of the taxes levied by the central or state governments may adversely affect our competitive position and profitability.

30. ***Our Company may face competition from DaeRim Enterprises Co. Limited or its wholly owned subsidiaries or its affiliates upon the expiry of four years from the date of execution of the Non-Compete Agreement dated September 15, 2006.***

Our erstwhile subsidiary, JKM Dae Rim Automotive Limited (presently merged with our Company) had entered in to a Non-Compete Agreement dated September 15, 2006 with DaeRim Enterprises Co. Limited, Korea. As per the terms of the said Agreement, DaeRim Enterprises Co. Limited or its wholly owned subsidiaries or its affiliates will not compete in any manner directly or indirectly for a period of four years with the business of the Company.

While DaeRim Enterprises Co. Limited or its wholly owned subsidiaries or its affiliates are currently not competing with us in a material manner, we cannot assure that after four years from the date of execution of the said Non-compete Agreement dated September 15, 2006, they would not compete with our business and that their interests may not conflict with the interests of our Company.

31. ***We have incurred significant investments from time to time on our R & D including and not limited to developing our in-house technologies and processes and we may not be able to derive adequate benefits from such investments***

We operate in the industry which requires continuous technology upgrade and research activities to stay ahead of the market. We will continue to make investments on R & D including and not limited to developing our in-house technologies and processes as we depend significantly on such processes for upgrading our technologies and processes from time to time. These R & D activities are critical since it improves our profitability, if the same proves to be successful.

We cannot guarantee that these R & D activities will not become obsolete, continue to be beneficial to us, or, that we would be able to recover the monies invested by us in this regard.

32. ***In order to enhance its capabilities and address gaps in industry expertise and geographic coverage, we had undertaken certain strategic acquisitions including our acquisition of the hydraulics business of Sauer-Danfoss in Swindon, which may prove to be difficult to integrate and manage.***

Our Company has acquired the hydraulics business of Sauer- Danfoss in Swindon to enhance its capabilities and address gaps in industry expertise and geographic coverage. Our Company could have difficulty in assimilating that company's personnel, operations and technology. In addition, the key personnel of the acquired company may decide not to work with our Company. These difficulties could disrupt our Company's ongoing business, distract our management and employees and increase its expenses thus adversely impacting its business, revenues and profitability.

EXTERNAL RISK FACTORS

33. ***A slowdown in economic growth in India could cause our business to suffer.***

We currently operate primarily in the domestic Indian market, and our performance is intertwined with the overall economy, the gross domestic product ("GDP") growth rate and the economic cycle in India. The Indian economy could be adversely affected by a number of factors. In particular, India depends on imported oil for its energy needs. India imports approximately 70% of its requirements of crude oil. A significant increase in the price of crude oil could adversely affect the Indian economy. India's economy could also be adversely affected by a general rise in interest rates and unfavorable weather conditions adversely affecting agriculture. A slowdown in the Indian economy could adversely affect our business.

34. ***Increasing employee compensation in India may reduce some of our competitive advantage***

Increase in compensation payable to employees in India may reduce some of the competitive advantage and may negatively affect our profit margins. Employee compensation in India is increasing at a fast rate, which could result in increased costs relating to engineers, managers and other mid-level professionals. We may need to continue to increase the levels of our employee compensation to remain competitive.

35. ***We operate in a regulated environment, and the government policies, laws and regulations affecting the sectors in which we operate and the related industries, could adversely affect our operations and our profitability.***

All of our businesses are regulated by the Central Government and State Governments in India, as well as by the governments of the countries in which we operate. In addition, many of the industries in which we operate in India are also heavily regulated by local governments. We must comply with a number of requirements mandated by Indian laws and regulations, including policies and procedures established by local authorities and designed to implement such laws and regulations. Non-compliance with any regulation may lead to penalties and fines, revocation of our approvals, sanctions, licenses, registrations and permissions or litigation. If we fail to obtain any of these approvals or licenses, or renewals thereof, in a timely manner, or at all, our business and results of operations could be adversely affected.

36. Any change or delay in economic reforms of the Indian economy

Since 1991 successive Indian governments have pursued policies of economic liberalization including significantly relaxing restrictions in the private sector. Any change in India's economic liberalization could adversely affect business and economic conditions in India generally and our business in particular.

37. Political instability and significant changes in the Government's policy on liberalization of the Indian economy could impact our financial results and prospects.

India has been charting a course of economic liberalization and our business could be significantly influenced by the economic policies of the Government. The current coalition-led Government which came to power in May 2004 has announced policies and undertaken initiatives that continue the economic liberalization policies pursued by previous Governments. However, there can be no assurance that these liberalization policies and the political stability will continue in the future. The rate of economic liberalization could change, and laws and policies affecting financial securities providers, foreign investment, currency exchange and other matters affecting investment in our securities could change as well. Any significant change in liberalization and deregulation policies could adversely affect business and economic conditions in India generally and our business in particular.

38. Hostilities, terrorist attacks, civil unrest and other acts of violence could adversely affect the financial markets and our business.

Terrorist attacks and other acts of violence or war may adversely affect the Indian markets and the worldwide financial markets on which our Equity Shares trade. These acts may result in a loss of business confidence, make travel and other services more difficult and could generally have an adverse effect on our business. In addition, any deterioration in international relations may result in investor concern regarding regional stability which could adversely affect the price of our Equity Shares. In addition, India has witnessed localized civil disturbances in recent years and it is possible that future civil unrest as well as other adverse social, economic or political events in India could have an adverse impact on our business. Such incidents could also create a greater perception that investment in Indian companies involves a higher degree of risk and could have an adverse impact on our business and the market price of our Equity Shares.

39. Natural calamities could have a negative impact on the Indian economy and harm our business.

India has experienced natural calamities such as earthquakes, floods, drought and a tsunami in recent years, most notably the Kashmir earthquake on October 8, 2005, the Mumbai floods on July 26, 2005 and the tsunami that struck the southern coast of India and other Asian countries on December 26, 2004. The extent and severity of these natural disasters determines their impact on the Indian economy. For example, as a result of draught conditions during fiscal 2003, the agricultural sector suffered negative growth and the erratic progress of the monsoon in fiscal 2005 adversely affected sowing operations for certain crops which subsequently resulted in a decline in the growth rate of the agricultural sector. Prolonged spells of deficient or abnormal rainfall and other natural calamities could have an adverse impact on the Indian economy, which could adversely affect our business and the price of our Equity Shares.

40. Any downgrading of India's debt rating by an international rating agency could have a negative impact on our business.

Any adverse revision to India's credit rating for domestic and international debt by international rating agencies may adversely impact our ability to raise additional financing and the interest rates and other commercial terms at which such additional financing is available. This could have an adverse effect on our financial performance and our ability to obtain financing to fund our growth on favorable terms or at all.

41. A decline in India's foreign exchange reserves may affect liquidity and interest rates in the Indian economy, which could adversely impact our financial condition.

According to a report released by the RBI, India's foreign exchange reserves totalled US$ 309.7 billion as at March 31, 2008 (Source: www.rbi.org). A decline in this reserve could impact the valuation of the local currency and could result in reduced liquidity and higher interest rates which could adversely affect our future financial performance and the market price of our Equity Shares.

42. Fluctuations in operating results and other factors may result in decreases in our equity share price.

The stock markets have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the trading price of our Equity Shares to be issued. There may be significant volatility in the market price of our Equity Shares to be issued. If we are unable to operate our projects and services as profitably as we have in the past, investors could sell our Equity Shares to be issued when it becomes apparent that the expectations of the market may not be realized, resulting in a decrease in the market price of our Equity Shares to be issued.

In addition to our operating results, the operating results of other financial securities companies, changes in financial estimates or recommendations by analysts, changes in government financial securities programs, governmental investigations and litigation, speculation in the press or investment community, the possible effects of war, terrorist and other hostilities, adverse weather conditions, the level of seasonal illnesses, changes in general conditions in the economy or the financial markets, or other developments affecting the financial securities industry, could cause the market price of our Equity Shares to be issued to fluctuate substantially.

43. An active market for our Equity Shares may not be sustained, which may cause the price of our Equity Shares to fall.

While our Equity Shares have been traded on the BSE and the NSE since September 03, 1974 and September 14, 2006 respectively, there can be no assurance regarding the continuity of the existing market for our equity shares, the ability of the Investors to sell their Equity Shares or the price at which the Investors may be able to sell their Equity Shares. In addition, the market for debt and equity securities in emerging markets has been subject to disruptions that have caused volatility in the prices of securities similar to our Equity Shares. There can be no assurance that the market for the Equity Shares, if any, will not be subject to similar disruption. Any disruption in these markets may have an adverse effect on the market price of our Equity Shares.

44. Investors will bear the risk of fluctuations in the price of the Equity Shares.

The market price of our Equity Shares is expected to be affected by various factors which affect us and our business. It is not possible to predict whether the price of the Equity Shares will rise or fall. Trading prices of our Equity Shares will be influenced by, among others factors, our financial condition, results of operations and political, economic and financial factors. Sales of a substantial number of Equity Shares in the public market could adversely affect the prevailing market price of Equity Shares.

45. Conditions in the Indian securities market may affect the price or liquidity of our Equity Shares.

Securities markets in India are smaller and more volatile than securities markets in more developed economies. The Stock Exchanges have in the past experienced substantial fluctuations in the prices of listed securities. The BSE and the NSE halted trading on the exchanges in view of the sharp fall in securities prices. In addition, the governing bodies of the Stock Exchanges have from time to time imposed restrictions on trading in certain securities, limitations on price movements and margin requirements. Although the price of our Equity Shares has been as volatile as the markets generally, future fluctuations could have a material adverse effect on the price of our equity shares.

46. ***Financial instability in other countries, particularly emerging market countries, could disrupt our business and affect the price of our Equity Shares.***

Although economic conditions are different in each country, investors' reactions to developments in one country may have an adverse effect on the securities of companies in other countries, including India. A loss of investor confidence in the financial systems of other emerging markets may cause increased volatility in Indian financial markets and the Indian economy in general. Any worldwide financial instability could also have a negative impact on the Indian economy, including the movement of exchange rates and interest rates in India, which could adversely affect the Indian financial sector in particular. Any financial disruption could have an adverse effect on our business, future financial performance, shareholders' equity and the price of our Equity Shares.

47. ***Investors may not be able to enforce a judgment of a foreign court against us.***

We are a limited liability company incorporated under the laws of India. It may not be possible for investors to effect service of process outside of India on us or our directors and executive officers and experts named in the Placement Document who are residents of India, or to enforce judgments obtained against us or these persons in foreign courts predicated upon the liability provisions of foreign countries. Moreover, it is unlikely that a court in India would award damages on the same basis as a foreign court if an action were brought in India or that an Indian court would enforce foreign judgments if it viewed the amount of damages as excessive or inconsistent with public policy.

48. ***There may be less company information available regarding Indian securities markets compared to information available regarding securities markets in developed countries.***

The level of regulation and monitoring of the Indian securities markets and the activities of investors, brokers and other participants and markets is not as transparent in India compared to some other developed economies, although SEBI and the Stock Exchanges are responsible for improving disclosure and other regulatory standards for the Indian securities markets. SEBI has issued regulations and guidelines on disclosure requirements, insider trading and other matters. There may, however, be less publicly available information about Indian companies than is regularly made available by public companies in other more developed economies.

49. ***Because the Equity Shares are quoted in Indian rupees in India, investors may be subject to potential losses arising out of exchange rate risk on the Indian rupee and risks associated with the conversion of Indian rupee proceeds into foreign currency.***

Investors are subject to currency fluctuation risk and convertibility risk since the Equity Shares are quoted in Indian rupees on the Indian stock exchanges on which they are listed. Dividends on the Equity Shares will also be paid in Indian rupees. Investors that seek to convert the Indian rupee proceeds of a sale of Equity Shares into foreign currency and export the foreign currency will need to obtain the approval of the RBI for each such transaction. In addition, investors that seek to sell Equity Shares will have to obtain approval from RBI, unless the sale is made on a stock exchange or in connection with an offer made under regulations regarding takeovers. Holders of Indian rupees in India may also generally not purchase foreign currency without general or special approval from RBI.

As measured by the RBI's reference rate, the Indian rupee was at Rs. 42.95 per U.S. dollar on June 30, 2008.

50. ***Any future equity offerings, the exercise of existing stock options or the issue of additional stock options under an employee stock option plan, may lead to dilution of your shareholding in our Company or affect the market price of our Equity Shares.***

As a purchaser of our Equity Shares, you may experience dilution in your shareholding to the extent that we make future equity offerings or issue stock options under any employee stock option scheme. As a result, the percentage of shareholding held by you may be subsequently diluted in the event and to the extent that future offerings of Equity Shares are made by us

51. ***We have not prepared, and do not intend to prepare, our financial statements in accordance with the International Financial Reporting Standards of the International Accounting Standards Board ("IFRS") or generally accepted accounting principles in the United States of America ("US GAAP"). Prospective investors should consult their own professional advisors for an understanding of the differences between Indian GAAP and IFRS and between Indian GAAP and US GAAP and how they might affect the financial information contained in the Placement Document.***

There may be less publicly-available information about Indian public companies, including us, than is regularly disclosed by public companies in countries with more mature securities markets. We have prepared our financial statements and the financial information contained in the Placement Document in accordance with Indian GAAP ("Indian Accounting Practices"). Indian accounting practice requirements differ in certain respects from those of IFRS and US GAAP. We have not presented a reconciliation of our financial statements to IFRS or US GAAP in the Placement Document, and do not intend to reconcile future financial statements to IFRS or US GAAP. Furthermore, we have not quantified or identified the impact of the differences between Indian Accounting Practices and IFRS or between Indian Accounting Practices and US GAAP as applied to our financial statements. As there are differences between Indian Accounting Practices and IFRS and between Indian Accounting Practices and US GAAP, there may be substantial differences in our results of operations, cash flows and financial position if we were to prepare our financial statements in accordance with IFRS or US GAAP instead of Indian Accounting Practices. The principal accounting policies applied in the preparation of our financial statements are as set forth in the 'Selected Historical Financial Statement' in this Placement Document. Prospective investors should review the accounting policies applied in the preparation of our financial statements, and consult their own professional advisors for an understanding of the differences between Indian Accounting Practices and IFRS and between Indian Accounting Practices and US GAAP and how they might affect the financial information contained in this Placement Document. In particular greater reliance may be placed by the auditors on representations made by our management and there may be less independent verification of information than would be the case in certain other countries.

MARKET PRICE INFORMATION

As of March 31, 2008, 4,810,703 of our Equity Shares were issued and outstanding. Our Company's Equity Shares have been listed on BSE and NSE since September 03, 1974 and September 14, 2006 respectively. As our Equity Shares are actively traded on the BSE and the NSE, our stock market data has been given separately for each of these Stock Exchanges.

A. The high and low closing prices recorded on the BSE and the NSE and the number of Equity Shares traded on the days such high and low prices were recorded for fiscal years 2006, 2007 and 2008 are stated below:

BSE Data

Year Ending March 31	High (Rs.)	Date of High	Volume on date of high (no. of shares)	Low (Rs.)	Date of Low	Volume on date of low (no. of shares)	Average price for the year (Rs.)
2006	1,454.20	March 24, 2006	2,290	422.70	April 20, 2005	9,063	934.25
2007	1,874.60	April 18, 2006	11,248	699.60	July 24, 2006	2,153	1,173.01
2008	1,739.30	November 1, 2007	64,693	913.30	March 18, 2008	7,193	1,356.62

Source: *www.bseindia.com*

NSE Data

Year Ending March 31	High (Rs.)	Date of High	Volume on date of high (no. of shares)	Low (Rs.)	Date of Low	Volume on date of low (no. of shares)	Average price for the year (Rs.)
2007	1,452.80	February 9, 2007	2,011	935.55	November 14, 2006	422	1,164.94
2008	1,739.15	September 28, 2007	2,453	891.00	March 18, 2008	183	1,362.75

Source: *www.nseindia.com*

B. The high and low closing prices recorded on the BSE and the NSE and the number of Equity Shares traded on the days such high and low prices were recorded, during the last six months preceding the date of filing the Placement Document, are stated below:

BSE Data

Month, Year	High (Rs.)	Date of High	Volume on date of high (no. of shares)	Low (Rs.)	Date of Low	Volume on date of low (no. of shares)	Average price (Rs.)	Total volume traded (no. of shares)
January, 2008	1,516.70	January 3, 2008	8,494	1,097.90	January 22, 2008	3,130	1,304.74	69,428
February, 2008	1,238.00	February 4, 2008	110	1,155.35	February 29, 2008	223	1,201.20	44,221
March, 2008	1,115.00	March 3, 2008	2,884	913.30	March 18, 2008	7,193	1,040.56	229,647

April, 2008	1,250.00	April 24, 2008	1,005	1,024.00	April 4, 2008	1,112	1,133.63	16,960
May, 2008	1,228.65	May 2, 2008	344	1,089.00	May 14, 2008	161	1,159.65	15,682
June, 2008	1,233.70	June 18, 2008	5,681	1,006.15	June 10, 2008	37	1,153.35	2,28,879

Source: www.bseindia.com

NSE Data

Month, Year	High (Rs.)	Date of High	Volume on date of high (no. of shares)	Low (Rs.)	Date of Low	Volume on date of low (no. of shares)	Average price (Rs.)	Total volume traded (no. of shares)
January, 2008	1,513.70	January 1, 2008	62	1,075.00	January 24, 2008	1,325	1,309.20	16,500
February,2008	1,235.00	February 27, 2008	1	1,158.70	February 29, 2008	58	1,204.48	15,641
March, 2008	1,149.00	March 3 & March 4, 2008	7 & 125	891.00	March 18, 2008	183	1,050.77	26,586
April, 2008	1,233.05	April 23, 2008	105	1,010.00	April 4, 2008	60	1,135.72	6,820
May, 2008	1,210.15	May 2, 2008	1016	1,100.00	May 14, 2008	72	1,167.64	8,595
June, 2008	1,243.35	June 18, 2008	1,225	1,005.00	June 10, 2008	23	1,160.11	55,477

Source: www.nseindia.com

Notes:

1. High, Low and Average prices are of the daily closing prices
2. The shares of the Company were listed on NSE only with effect from September 14, 2006. Hence data has been provided from this date

C. Market price on June 9, 2008, the first working day following the Board Meeting approving the Qualified Institutional Placement:

Date	BSE				NSE			
	Open	High	Low	Close	Open	High	Low	Close

	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
June 9, 2008	1,027.00	1,079.00	1,027.00	1,079.00	1,098.90	1,098.90	1,098.90	1,098.90
Volume on the Date	48				10			

Source: www.bseindia.com , www.nseindia.com

D. Details of the volume of business transacted during the last six months on the Stock Exchanges
E.

(*Rupees in Million*)

Period	BSE	NSE
January 2008	91.54	21.70
February 2008	53.12	18.68
March 2008	234.37	26.84
April 2008	19.39	8.08
May 2008	18.19	10.01
June 2008	279.40	67.40

Source: www.bseindia.com ,www.nseindia.com and Capital Line

CAPITAL STRUCTURE

Our Company's Authorized, Issued, Subscribed and Paid-up Capital is set forth below:

(*Rupees in Million*)

Particulars	March 31, 2008
Authorised Capital	
20,000,000 Equity Shares of Rs. 10/- each and 500,000 Redeemable Cumulative Preference Shares of Rs.100/-	250.00
Total Authorised Capital	**250.00**
Issued, Subscribed and Paid-upCapital	
4,810,703 Equity Shares of Rs.10 each	48.11
Total Paid-up Capital	**48.11**

USE OF PROCEEDS

The total proceeds of the Issue will be Rs. 745.34 million. After deducting the issue expenses of approximately Rs. 10.00 million, the net proceeds of the Issue will be approximately Rs. 735.34 million.

Purpose of Issue

Subject to compliance with applicable laws and regulations, we intend to use the net proceeds received from the Issue to accelerate further growth, fund various expansion plans, long-term working capital requirement, general corporate purposes and to finance investment opportunities that are in line with our strategic business plan to further grow each of our existing business . As of the date of this Placement Document, we have not entered into any binding letter of intent or any definite commitments or agreements for any acquisition or strategic relationship.

In accordance with the policies set up by our Board, the management will have flexibility in deploying the proceeds received by us from the Issue. Pending utilization for the purpose, described above, we intend to temporarily invest funds in creditworthy instruments, including money market mutual funds and deposits with banks and corporates. Such investments would be in accordance with the investment policies approved by the Board from time to time.

CAPITALIZATION STATEMENT

The table below sets forth our Company's audited capitalization and indebtedness as at March 31, 2008 and as adjusted to account for the issue of QIP Shares in this Issue. This table should be read in conjunction with the Financial Statements of our Company and related notes appearing elsewhere in this Placement Document.

(*Rupees in Million*)

Particulars	As at March 31, 2008	Post-allotment of the QIP Shares
Loan Funds		
Secured Loans	1575.78	1575.78
Unsecured Loans	67.59	67.59
Total Debts (A)	**1,643.37**	**1,643.37**
Deferred Tax Liability (Net) (B)	154.06	154.06
Shareholders' Funds		
Fully paid-up Equity Share Capital	48.11	54.15
Reserves and Surplus	599.63	1,338.93
Total Shareholders' Funds (C)	**647.74**	**1,393,08**
Total Capitalization (A+B+C)	**2,445.18**	**3,190.51**

As at March 31, 2008, 4,810,703 Equity Shares of Rs. 10 each were issued and outstanding. Except as set out above, there has been no material change in our capitalization and indebtedness since March 31, 2008. The information in the table above should be read in conjunction with "Our Selected Historical Financial Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and notes thereto included elsewhere in this Placement Document.

DIVIDENDS

Under the Companies Act, an Indian company pays dividends upon a recommendation by the Board of Directors and approval by a majority of the shareholders, who have the right to decrease but not to increase the amount of the dividend recommended by the Board of Directors. Dividends are generally declared as a percentage of the par value. The dividend recommended by the Board and approved by the shareholders at a general meeting is distributed and paid to shareholders in proportion to the paid up value of their Equity Shares on the record date for which such dividend is payable. In addition, as is permitted by the Articles of Association, the Board may announce and pay interim dividends. Under the Companies Act, dividends can only be paid in cash to shareholders listed on the register of shareholders on the date which is specified as the "record date" or "book closure date" or to those shareholders keeping their shares in dematerialised form, a list of which is provided by the National Securities Depositary Limited and Central Depositary Services (India) Limited. No shareholder is entitled to a dividend while any lien in respect of unpaid calls on any of his Shares is outstanding. Under the Companies Act, dividends may be paid out of profits of a company in the year in which the dividend is declared or out of the undistributed profits or reserves of previous fiscal years or out of both.

The dividends declared by us on Equity Shares during the last three Fiscal years have been presented below:

Particulars	Fiscal 2006	Fiscal 2007	Fiscal 2008
Face value of Equity Shares (Rs. per share)	10.00	10.00	10.00
Interim Dividend (Rupees in million)	8.38	8.38	10.48
Final Dividend (Rupees in Million)	12.58	12.58	24.05
Dividend Tax (Rupees in Million)	5.01	6.04	5.19
Interim Dividend per Equity Share (Rs.)	2.00	2.00	2.50
Final Dividend per Equity Share (Rs.)	3.00	3.00	5.00
Dividend Rate (%)	50%	50%	75%

The amounts paid as dividends in the past are not necessarily indicative of our dividend policy or dividend amounts, if any, in the future.

Dividends are payable within 30 days of approval by shareholders at our annual general meeting. The Articles of Association also give the Board the discretion to declare and pay interim dividends without shareholder approval at an annual general meeting. When dividends are declared, all the shareholders who appear in the share register as on the ''record date'' or "book closure date" are entitled to the dividend declared by us. Any shareholder, who ceases to be a shareholder prior to the record date or becomes a shareholder after the record date, will not be entitled to the dividend declared by us.

Currently, we pay a dividend distribution tax of 15%, a surcharge of 10% on the dividend distribution tax and an educational cess of 3 % on both the tax and the surcharge. These taxes are not payable by the shareholders nor are they withheld or deducted from the dividend payments set forth above.

For further details, see the section tilted "Taxation" on page 132.

SELECTED HISTORICAL FINANCIAL INFORMATION

The selected financial information as of and for the three years ended March 31,2008, 2007 and 2006 set forth below have been derived from our audited financial statements included elsewhere in this Placement Document. The financial information included in this Placement Document does not reflect our results of operations, financial position and cash flows for the future and our past operating results are no guarantee of our future operating performance. Our audited financial statements are prepared and presented in accordance with Indian GAAP. For a summary of our significant accounting policies and the basis of the presentation of our financial statements, refer to the notes to the audited financial statements included in this Placement Document.

The selected financial and operational data set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our audited financial statements.

Summary Statement of Assets and Liabilities

Particulars	**2008**	**2007**	**2006**
			(*Rupees in Million*)
SOURCES OF FUNDS			
Shareholders' Funds			
Capital	48.11	41.94	41.94
Reserves and Surplus	599.63	399.39	295.55
Minority Interest	0.00	62.89	51.16
Loan Funds			
Secured Loans	1,575.78	765.94	549.41
Unsecured Loans	67.59	73.57	76.41
Deferred tax liabilities	154.07	111.94	84.72
	2,445.17	**1,455.66**	**1,099.18**
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	2,337.64	1,500.86	1,236.43
Less: Depreciation	722.42	600.85	523.45
Net Block	1,615.23	900.01	712.97
Capital Work-in-Progress	173.39	252.66	105.52
Incidental Expenditure during Construction Period	-	34.10	13.90
	1,788.62	1,186.77	832.39
Investments	0.00	0.02	0.12
Current Assets, Loans and Advances			
Inventories	471.89	310.25	275.27
Sundry Debtors	791.68	529.34	427.54
Cash and Bank Balances	253.87	26.59	33.33
Other Current Assets	41.28	22.03	16.60
Loans and Advances	110.92	91.85	65.97
	1,669.64	980.06	818.71
Less: Current Liabilities and Provisions			
Liabilities	956.94	660.01	512.11

Particulars	2008	2007	2006
			(*Rupees in Million*)
Provisions	56.15	51.21	39.99
	1,013.09	711.22	552.10
Net Current Assets	656.55	268.84	266.61
Miscellaneous Expenditure	-	0.04	0.07
(To the extent not written off or adjusted)			
	2,445.17	**1,455.66**	**1,099.18**

Summary Statement of Profits and Losses

Particulars	2008	2007	2006
			(*Rupees in Million*)
INCOME			
Sales and Services	4,053.89	2,922.89	2,373.51
Less: Excise duty included therein	494.28	520.00	391.47
Sales (Net)	3,559.61	2,402.89	1,982.05
Other Income	103.53	49.74	33.01
	3,663.13	**2,452.63**	**2,015.05**
EXPENDITURE			
Cost of Materials	1,846.33	1,477.81	1,154.49
Employee Cost	603.78	219.33	184.68
Other Operating Expenses	643.36	336.31	303.81
	3,093.46	**2,033.44**	**1,642.98**
Operating Profit before Depreciation and Interest (EBITDA)	**569.67**	**419.18**	**372.08**
Depreciation	128.01	99.33	93.51
(Less): Transfer from Revaluation Reserve	(0.34)	(0.34)	(0.35)
	127.66	98.99	93.16
Interest	107.82	67.31	59.96
Profit before Taxation and Extraordinary/Exceptional	**334.19**	**252.89**	**218.96**
Extraordinary/Exceptional	28.79	16.64	4.79
Profit before taxation	**305.40**	**236.24**	**214.16**
Provision for Taxation			
- Income Tax			
- Current	72.13	56.31	79.84
- Deferred Charge/ (Credit)	42.13	27.22	(2.78)
- Fringe Benefit Tax	4.70	3.26	3.82
- Wealth Tax	0.21	0.21	0.06
Profit after taxation before Minority Interest	186.22	149.25	133.23
Minority Interest in Profits	-	18.05	17.32

Particulars	2008	2007	2006
			(*Rupees in Million*)
Profit after taxation	**186.22**	**131.19**	**115.90**
Profit brought forward from previous year	94.40	72.02	45.23
Profit Available for appropriation	**280.63**	**203.21**	**161.13**
Appropriations			
Dividend :			
- Interim	10.48	8.39	8.39
- Proposed Final	24.05	12.58	12.58
- Tax thereon	5.19	6.04	5.02
Transferred to General Reserve	18.58	81.80	63.13
	222.32	94.40	72.02
Add: Transfer of minority share in Profit and Loss Account	30.59	-	-
Profit Carried to Balance Sheet	252.92	94.40	72.02
Earnings Per Share- Basic and Diluted			
Before Extraordinary/ Exceptional	51.15	35.25	28.78
After Extraordinary/ Exceptional	44.30	31.28	27.64

Summary Statement of Cash Flows

	Particulars	2008	2007	2006
				(*Rupees in Million*)
A.	**Cash flow from operating activities:**			
	Net profit before tax and extraordinary item:	334.19	252.89	218.96
	Adjustments for:			
	Depreciation	127.66	98.99	93.16
	Interest Expense	107.82	67.31	59.96
	Interest Income	(10.44)	(3.25)	(2.87)
	Income from Investment - Dividends	-	-	(0.02)
	(Profit)/Loss on Fixed Assets sold	1.46	1.94	0.46
	Deferred revenue expenditure written off	0.04	0.03	4.68
	Debts / Advances Written off	1.61	1.76	1.99
	Provision for Bad and Doubtful Debts/Advances	5.03	3.43	4.94
	Liability no longer required written back	(0.63)	(0.57)	(2.34)
	Provision for Gratuity and Leave Encashment	1.25	4.62	2.59
	Provision for diminution in value of Investments	-	-	0.09
	Unrealised foreign exchange (gain) /loss	(4.87)	(3.49)	1.22
	Provision for warranty	5.92	1.99	1.70
	Operating profit before working capital changes	**569.04**	**425.64**	**384.51**

	Particulars	2008	2007	2006
				(*Rupees in Million*)
	Adjustments for changes in working capital :			
	- (Increase)/Decrease in Sundry Debtors	(113.38)	(109.01)	(93.72)
	- (Increase)/Decrease in Other Receivables	(28.98)	(20.15)	(19.52)
	- (Increase)/Decrease in Inventories	(31.60)	(34.98)	(38.86)
	- Increase/(Decrease) in Trade and Other Payables	84.09	129.31	140.98
	Adjustment for Unrealised Foreign Exchange Gain/(Loss)	(3.17)	3.49	(1.22)
	Cash generated from operations	**476.00**	**394.31**	**372.17**
	- Direct Tax paid	(70.55)	(66.28)	(64.90)
	- Fringe Benefit Tax paid	(4.15)	(3.30)	(4.05)
	Cash flow before extra-ordinary items	**401.31**	**324.73**	**303.23**
	Extraordinary items	(28.79)	(16.64)	(4.79)
	Net cash from operating activities	**372.52**	**308.09**	**298.44**
B.	**Cash flow from Investing activities:**			
	Purchase of fixed assets	(452.10)	(450.51)	(190.82)
	Proceeds from Sale of fixed assets	5.44	4.68	1.45
	Proceeds from Sale of Investments	0.02	0.10	0.00
	Loans/ICDs (Net)	0.22	-	0.25
	Interest Received (Revenue)	6.09	2.10	3.22
	Dividend Received	-	-	0.02
	Business Purchase Dynamatic Ltd, UK	(363.67)	-	-
	Adjustment for Unrealised Foreign Exchange Gain/(Loss)	0.35	-	-
	Net cash used in investing activities	**(803.66)**	**(443.63)**	**(185.88)**
C.	**Cash flow from financing activities:**			
	Proceeds from long term borrowings	485.91	174.64	(64.75)
	Repayment of long term borrowings	(149.39)	-	-
	Proceeds from short term borrowings(Net)	-	(10.00)	(10.14)
	Repayment of Inter Corporate Deposits (Net)	(5.00)	-	(0.05)
	Repayment of Loan from Directors (Net)	(0.80)	-	-
	(Repayment)/ Proceeds from fixed deposits (Net)	(0.18)	1.93	5.39
	Proceeds from Cash Credits (Net)	472.08	46.48	44.94
	Interest Paid	(106.29)	(66.63)	(58.66)
	Dividend Paid	(36.85)	(14.74)	(21.09)
	Dividend Tax Paid	(8.74)	(2.89)	(4.60)
	Adjustment for Unrealised Foreign Exchange Gain/(Loss)	7.69	-	-
	Net cash used in financing activities	**658.41**	**128.79**	**(108.97)**

Particulars	2008	2007	2006
			(*Rupees in Million*)
Net Increase/(Decrease) in Cash and Cash Equivalents	**227.28**	**(6.74)**	**3.59**
Cash and cash equivalents as at the beginning of the year	26.59	33.33	29.75
Cash and cash equivalents at the end of the year	253.87	26.59	33.33
Net Increase/(Decrease) in Cash and Cash Equivalents	**227.28**	**(6.74)**	**3.59**

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements included in this Placement Document. You should also read the section titled "Risk Factors" beginning on page 22 of this Placement Document, which discusses a number of factors and contingencies that could impact our financial condition, results of operations and cash flows. The following discussion relates to our Company and is based on our consolidated financial statements which have been prepared in accordance with Indian GAAP, the accounting standards referred to in Section 211(3C) of the Companies Act and the other applicable legal provisions. The following discussion is also based on internally prepared statistical information and on publicly available information.

Overview

We are a fully integrated company, producing highly engineering precision products and services, with presence in diverse high-growth business segments. We are present across the following business segments: hydraulics, automotive, aerospace, foundry (metallurgy) and design. We provide these services either directly, through our subsidiaries or in certain cases through third parties. Our products find applications in the Automotive Sector, Defence Sector, Agricultural Equipment Industry and Construction Equipment Industry. With over three decades of manufacturing experience, we have a vertically integrated manufacturing structure spread in two continents with global deliveries into all six continents. We are equipped to deliver from concept and design to manufacture of products and delivery of services in each of the business segments from our facilities in Bangalore, Chennai and Swindon.

Our hydraulics business is the oldest business of the Company and is located in Bangalore, India and Swindon, UK. We are one of the leading manufacturers of hydraulic gear pumps in the world. Our products have various applications in agricultural equipments, construction equipments and industrial applications. Our products are used in agricultural tractors, earth-moving equipments, material handling equipments, mining and drilling equipments and road paving equipments. In addition to hydraulic gear pumps, we manufacture a wide range of sophisticated hydraulic valves and custom tailored hydraulic solutions extending from simple hydraulic pumping units to sophisticated marine power packs, complex aircraft ground support systems to turnkey industrial installations. We have design and development partnerships with major global tractor OEMs. Our customers include Mahindra & Mahindra, Eicher Tractors, Punjab Tractors, Same Deutz-Fahr, Escorts Limited, L&T John Deere, New Holland India, BEML, Godrej & Boyce, HMT, BHEL and Telco. Our products are exported to over 30 countries and are being used as original equipments in USA, UK, Canada and South Korea. We have recently acquired the business unit of Sauer-Danfoss' Swindon unit in June 2007.

The automotive business of our Company is housed in a separate division - JKM Automotive and is located in Chennai. We produce high quality ferrous and non-ferrous critical engine and transmission components for the growing global automobile industry. Apart from supplying components to the Highway segment, we are also present in the Off-Highway segment and cater to manufacturers of Technology products. Being a single source supplier to many global automotive OEMs for majority of our products, our largest customer is Hyundai Motor India Limited. Our other customers include Ford Motor Company, Tata Motors, General Motors, Renault, John Deere, Cummins, Simpsons and Honeywell.

The aerospace business of our Company is carried on in a separate division – Dynamatic Aerospace and is located in Bangalore. We have the largest infrastructure in the private sector. We are a recognized player in the Indian private sector for the development of complex aerostructures using aluminum, steel and titanium. We commenced business in this division by producing hydraulic transmission system for India's T-72 Battle Tanks. We have designed the steering control system, turret control system and braking system for Arjun, India's main battle tank. Our key projects include LAKSHYA- India's Pilotless Target Aircraft, HJT-36 Intermediate Jet Trainer and Sukhoi MKI 30 Fighter Bomber. We manufacture wings, fins, stabiliser, air brakes and related components for a variety of aircraft models. We were formerly undertaking pure defense assignments in our aerospace division. We have recently forayed into non-defense activities by manufacturing flap track beam assemblies for the A320 Single aisle aircraft family to be delivered through one of the global majors.

Our foundry business is housed in a separate division of the Company – Dynametal and is located in Chennai. The foundry division primarily caters to in-house requirements of the hydraulics, automotive and aerospace divisions. We produce high quality non-ferrous alloy castings for industrial, automotive and aerospace applications.

The design division of our Company – Powermetric is located in Bangalore and is engaged in design validation and optimization, analysis and prototyping. The design division caters primarily to in-house requirements. We have recently forayed into engineering services business and have started providing services to National Super Suction, USA. The design team at Powermetric is the extended R&D facility of National Super Suction and will collaborate on new product development, re-design and design validation.

Awards and recognitions

We are an ISO 9001 and ISO 14001 certified company and adhere to international quality standards. In the automotive business, we have obtained the QS 9000, ISO 14000, TS16949 and OSHAS 18000 certifications. We are also 100 PPM certified by Hyundai Motor India Limited and have received the FORD Q1 certification. In the aerospace business, we have received many awards and certifications. We are the only company in the private sector to be certified by Airbus for supplies (along with our vendors). We have received the DGAQA approval for in-house processes. We are ISO 9001: 2000 certified and are the first Indian aerospace company to be certified to AS9100 standards for aero-structures. We have been awarded the "Creative Partner" award for the year 1998-1999 by DRDO, ADE and ASIEO, the "HAL Best Vendor Award" in 2002-03 by HAL's aircraft division and the "Outstanding Vendor Award" in 2008 award by HAL.

Some of the details pertaining to our awards/achievements are given below:

Sl. No	Year	Awards/Achievements
1	2005	Certificate of Approval bearing no. MUM0061176 issued by Lloyd's Register Quality Assurance for the environmental management systems, BS EN ISO 14001: 2004 on November 19, 2005 which is applicable for manufacture, testing and servicing of engineering components and systems for hydraulic and automotive applications, machined and fabricated aerospace components, assembly structures and associated site activities. Valid upto: November 18, 2008
2	2006	ISO 9001: 2000 and the Quality Systems Requirements AS9100 Rev B. for Aerospace was presented to our Company based on assessment conducted by Underwriters Laboratories Inc.(UL) on the latest versions of standards AS9104 and AIR5359 for Manufacturing of precision machined components, sheet metal pressed parts and structural assemblies for aerospace applications. Issued on :May 16, 2006. Renewed upto: May 15, 2009
3	2006	Certificate of Approval bearing no. MUM0060178 issued by Lloyd's Register Quality Assurance for the quality management standards, BS EN ISO 9001: 2000 which is applicable design, development, manufacture, testing and servicing of engineered components and systems for hydraulic and automotive applications. Original approval dated: December 17, 1999 Current Certificate dated: January 06, 2006 Valid upto: December 31, 2008

Factors affecting our results of operations

Our financial condition and results of operations are affected by numerous factors and the following are of particular importance:

- Our ability to complete assignments in accordance with timelines and within budget despite changes in scope, schedule and irregular recoveries of payments from our clients.
- Our ability to maintain our profitability in the event of increases in the price or availability of raw materials, labour or other inputs.
- Our ability to manage our working capital requirements to enable the execution of our business
- Our ability to compete with larger, more experienced competitors in a competitive scenario
- Our ability to anticipate and manage changes or shortages in the supply of skilled or unskilled labour or technology and continue to operate our business
- Change in the regulatory framework / Government policies with respect to the automotive industry, agriculture industry, construction industry and aerospace
- Increasing competition and the conditions of our clients and suppliers in our businesses
- Natural calamities including earthquake, flood, fire and drought in India resulting in an impact on the economy.
- General economic and business conditions in India;
- Our ability to successfully implement our strategy;
- Changes in the value of the Rupee and other currency changes;
- Changes in political conditions in India.

See “Risk Factors” and “Industry” on page 22 and page 61, respectively.

Significant Accounting Policies

a. Basis of Preparation of Consolidated Financial Statements:

The Consolidated financial statements relate to Dynamatic Technologies Limited (the Company) and its subsidiaries (hereinafter referred to as 'the Group' in the Significant Accounting Policies) which have been prepared:

i) Under historical cost concept and accrual basis in accordance with the Generally Accepted Accounting Principles (GAAP) in India, the Accounting Standards issued by the Institute of Chartered Accountants of India/ notified under Section 211(3C) of the Companies Act, 1956, of India (the Act) and the relevant provisions of the Act.

ii) In accordance with Accounting Standard (AS 21) on Consolidated Financial Statements

The Consolidated Financial Statements are prepared by adopting uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company’s separate financial statement. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

b. Principles of Consolidation

These Consolidated Financial Statements have been prepared by consolidation of financial statements of the Company and its subsidiaries on a line-by-line basis after fully eliminating the inter-company transactions.

c. Subsidiaries considered in the Consolidated Financial Statements

Sl.No.	Name of the Company	Country of Incorporation	Proportion of Ownership interest (%)		
			2008	2007	2006
1	JKM Daerim Automotive Limited	India	-	73	73
2	JKM Research Farm Limited	India	99.99	99.99	99.99
3	JKM Global Pte Limited	Singapore	100	100	100
4	Dynamatic Limited	United Kingdom	100	-	-

d. ***Fixed Assets and Depreciation:***

Fixed Assets are stated at their original cost of acquisition and subsequent improvements thereto including taxes, duties, freight, borrowing costs, where applicable and other incidental expenses related to the acquisition and installation of the assets concerned and is net of subsidy. Incidental expenditure incurred during construction period is also capitalised where appropriate.

Certain Land, Buildings, Plant and Machineries and Electrical Installations are stated at valuations made by a professional valuer in 1991-92 at the then current value.

Operating software is capitalised with the related fixed assets, while application software is charged off to revenue except for major application software which is capitalised as intangible assets and amortised over the useful life as estimated by the management.

Depreciation is provided on a straight line method at rates prescribed in Schedule XIV to the Companies Act, 1956, except for the following, which is based on the management's estimate of the useful lives of the assets concerned.

Particulars of Fixed Assets	Rate of depreciation
Data Processing Equipments	25%
Office Equipment	
Mobile Phones	50%

Depreciation on revalued items of fixed assets is calculated on their respective revalued amounts at rates considered applicable by the valuers on straight line method as against the methods/rates/bases which would have otherwise been adopted for the purpose of the annual accounts of the Company and accordingly includes additional depreciation charge. An amount equivalent to the aforesaid additional depreciation charge is transferred to the credit of the Profit and Loss Account from Revaluation Reserve.

e. ***Impairment of Assets:***

At each balance sheet date, the Group assesses whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised in the Profit and Loss Account to the extent the carrying amount exceeds recoverable amount.

f. ***Interest on Borrowings:***

Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalised as part of the cost of that asset till such time as the asset is ready for its intended use. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use. Other borrowing costs are recognised as an expense in the period in which they are incurred.

g. ***Investments:***

Long term Investments are stated at cost, except in the case of a permanent diminution in value, where cost is written down.

h. ***Inventories:***

Inventories are valued at lower of cost and market price/ net realisable value. Cost is generally determined under First-in-First-out method. Consumable Stores and spares are treated as consumed on issue to production.

i. ***Revenue Recognition and Product Warranty:***

Revenue from the sale of goods is recognised in accordance with terms of sales. Gross Sales are inclusive of Excise Duty and net of Value Added Tax or Sales Tax.

Revenue from services is recognised as the services are provided.

Product warranties ranging for a period from 1 to 2 years against manufacturing and other defects, as per terms of contracts with the customers, are provided for based on estimates made by the Group

Dividend Income is recognized when the Group's right to receive dividend is established.

j. ***Research and Development (R&D):***

The expenditure incurred on acquisition of Fixed Assets in respect of R&D activities are capitalised.

Income from R&D activities is included under Income from Services.

The Revenue expenditure incurred on Research and Development is charged off in the year in which such expenditure is incurred.

k. ***Foreign Currency Transactions:***

Transactions in foreign currency are recognised at the rate of exchange prevailing on the date of the transaction.

Liabilities/ assets in foreign currencies are reckoned in the accounts as per the following principles:
All monetary assets and liabilities denominated in foreign currency are restated at the rates ruling at the year end and all the exchange gains/ losses arising therefrom are adjusted to the Profit and Loss Account, except those covered by forward contracted rates where the premium or discount arising at the inception of such forward exchange contract is amortised as expense or income over the life of the contract.

Exchange differences on forward contracts are recognised in the Profit and Loss Account in the reporting period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of such forward contracts is recognised as income or expense for the year.

In respect of overseas subsidiary companies, Income and Expenses are translated at average exchange rate for the year. Assets and liabilities, both monetary and non-monetary, are translated at the year-end exchange rates and Share Capital is translated at the exchange rate at the date of the transaction. The differences arising out of translation are included in the foreign currency translation reserve under Reserves and Surplus.

Any profit or loss arising on settlement or cancellation of derivative contracts is recognised as income or expense for the period.

The effect of derivative contracts outstanding as at the year end, in the form of unrealised losses arising on mark-to-market valuation is provided for keeping in view the principle of prudence as enunciated in AS 1, Diclosure of Accounting Policies. Unrealised gain arising on such valuation is not recognised. Disclosures are made in terms of the requirements set out in the announcements issued by the ICAI on December 2, 2005 and March 29, 2008.

l. Provisions:

Provisions are recognised when the Group has a present obligation as a result of past events, for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed regularly and are adjusted where necessary to reflect the current best estimates of the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset, only when the same is virtually certain.

m. Leases:

Assets acquired under leases, where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Such leases are capitalised at the inception of the lease at lower of the fair value or the present value of the minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost, so as to obtain a constant periodic rate of interest on the outstanding liability for each period.

Assets acquired as leases, where a significant portion of the risk and rewards of ownership, are retained by the lessor, are classified as operating leases, Lease rentals are charged to the Profit and Loss Account on accrual/ straight line basis.

n. Employee Benefits:

i) Defined Contribution Plan

Contributions to the Employees' Provident Fund, Employees' Pension Scheme and Employees' State Insurance are as per statute and are recognized as expenses during the period in which the employees perform the services.

ii) Defined Benefit Scheme

Liability towards Gratuity is determined based on actuarial valuation using Projected Unit Credit Method at the Balance Sheet Date. Actuarial gains and losses are recognised immediately in the Profit and Loss Account.

iii) Other Long Term Employee Benefits

Liability towards compensated absences, which are not expected to occur within twelve months after the end of the period in which the employees rendered the related services, are recognised at the present value of the obligation based on actuarial valuation at each balance sheet date.

iv) Short Term Employee Benefits

Liability towards short term employee benefits like, compensated absences, which are expected to occur within twelve months after the end of the period in which the employees render the related services, and performance incentives etc., is recognised, during the period when the employee renders the services.

o. Accounting for Subsidies:

Subsidy receivable against an expense is deducted from such expense and subsidy/ grant receivable against a specific fixed asset is deducted from the cost of the relevant fixed asset.

Investment subsidy not specifically related to a specific fixed asset is credited to Capital Reserve and retained till the requisite conditions are fulfilled.

p. Taxation:

Current tax is recognised in accordance with the applicable laws of the country.

Fringe benefit tax is recognised in accordance with the applicable laws of the country.

Deferred tax is recognised on timing differences between the accounting income and the taxable income for the year and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.

Deferred tax assets are recognised and carried forward to the extent that there is a reasonable / virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized except for unabsorbed depreciation and carry forward of losses under tax laws where deferred tax assets are recognized only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax can be realized.

q. Segment Reporting:

Identification of segments:
The Group's operating business are organised and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the areas in which major operating divisions of the Group operate.

Inter-segment Transfers
The Group accounts for inter-segment sales and transfers as if the sales or transfers were to third parties at current market prices.

Allocation of common costs
Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common costs.

Unallocated items
The Corporate and Other segment includes general corporate expenses items which are not allocated to any business segment.

r. Earnings per Share:

Earnings/ (loss) (basic and diluted) per equity share are arrived at based on Net Profit after taxation to the basic/weighted average number of equity shares.

s. Miscellaneous Expenditure:

Deferred Revenue Expenditure incurred prior to March 31, 2003 is amortised over a period of five years.

Revenues

Our revenues referred to in our financial statements as income; consist principally of (i) net sales and (ii) other income

Our net sales consists of (i) sales of manufactured goods and traded items and (ii) services towards sub-contract charges, services charges and handling charges,.

We have other additional sources of income, such as (i) interest income (ii) lease rent (iii) dividend income (iv) income from engineering services (v) sale of scraps (vi) liabilities written back (vii) exchange gain (net) and (viii) miscellaneous income.

The table below provides a breakdown of our income during the years ended March 31, 2008, 2007 and 2006.

(*Rupees in Million*)

	Twelve months ended March 31		
	2008	**2007**	**2006**
INCOME:			
Net Sales	3,559.61	2,402.89	1,982.05
Net Sales as a % of Income	97.17%	97.97%	98.36%
Other Income	103.526	49.74	33.01
Other Income as a % of Income	2.83%	2.03%	1.64%
Income	**3,663.13**	**2,452.63**	**2,015.05**

The table below provides a breakdown of our net sales from different divisions/segments during the years ended March 31, 2008, 2007 and 2006.

(*Rupees in Million*)

Division	**Twelve months ended March 31**		
	2008	**2007**	**2006**
Hydraulics and Precision Engineering	1,816.50	851.68	709.76
Aluminium Castings	16.15	24.89	26.63
Automotive Components	1,807.89	1,576.06	1,278.66
Unallocated Income	22.59	-	-
Income	**3,663.13**	**2,452.63**	**2,015.05**

The table below provides a breakdown of our contract revenue by geographic region during the years ended March 31, 2008, 2007 and 2006.

(*Rupees in Million*)

Geography	**Twelve months ended March 31**		
	2008	**2007**	**2006**
Net sales from India	2,599.19	2,254.56	1,821.96
Net sales from Outside India	1,063.94	198.06	193.09
Total	**3,663.13**	**2,452.63**	**2,015.05**

The geographical segments considered for disclosure are (a) Net sales within India and (b) Net sales outside India.

Expenditure

Our total expenditures consist principally of expenses incurred towards materials consumed, employee cost, other operating expenses, interest and depreciation.

Our expenses towards materials consumed include (i) raw materials and components, (ii) traded items (iii) increase/decrease in work-in-progress and (iv) increase/decrease in finished goods.

Employee Cost comprises of (i) salaries, wages and bonus (ii) contribution to provident and other funds (iii) staff welfare expenses.

Other operating expenses include power fuel and utilities, stores and spares consumed, rates and taxes, rent, insurance, repairs and maintenance- plant and machinery, repairs and maintenance- buildings, repairs and maintenance- others, carriage outward, travelling and conveyance, printing and stationery, advertisement and sales promotion, communication, royalty, professional and consultancy charges, exchange loss (net), bad debts written off, doubtful advances written off, loss on sale/ scrapping of fixed assets, product warranty, technical assistance charges, packing and forwarding (net), discount on sales, commission on sales, security charges, bank charges, donation, directors' sitting fee, miscellaneous expenses written off, provision for bad and doubtful debts, provision for doubtful advances, provision for diminution in the value of investments and miscellaneous expenditure.

Interest includes interest on fixed loans and others.

Depreciation on our fixed assets is charged on a straight-line method at the rates specified in Schedule XIV of the Companies Act except the following which is based on the management's estimate of the useful lives of the assets concerned.

Particulars of Fixed Assets	**Rate of depreciation**
Data Processing Equipments	25%
Mobile Phones	50%

The table below provides line items from our consolidated statement of profits and losses, for the Fiscal years 2008, 2007 and 2006.

(*Rupees in Million*)

	Twelve months ended March 31,		
	2008	**2007**	**2006**
Income	**3,663.13**	**2,452.63**	**2,015.05**
Net Sales	3,559.61	2,402.89	1,982.05
Other Income	103.52	49.74	33.01
Materials consumed	1,846.33	1,477.81	1,154.49
Materials consumed as a % of Income	50.40%	60.25%	57.29%
Employee cost	603.78	219.33	184.68
Employee cost as a % of Income	16.48%	8.94%	9.17%
Other operating expenses	643.36	336.31	303.81
Other operating expenses as a % of Income	17.56%	13.71%	15.08%
EBITDA	**569.67**	**419.18**	**372.08**
EBITDA as a % of Income	15.55%	17.09%	18.47%
Depreciation	127.66	98.99	93.16
Depreciation as a % of Income	3.48%	4.04%	4.62%
Interest	107.82	67.31	59.96
Interest as a % of Income	2.94%	2.74%	2.98%
Profit before Tax (PBT)	334.19	252.88	218.96
PBT as a % of Income	9.12%	10.31%	10.87%
Provision for Tax	119.17	87.00	80.95
Current tax	72.13	56.31	79.84

	Twelve months ended March 31,		
	2008	2007	2006
Deferred tax	42.13	27.22	-2.77
Fringe Benefit Tax	4.7	3.26	3.82
Wealth Tax	0.21	0.21	0.06
Net Profit from ordinary activities after tax	**215.03**	**165.88**	**138.01**
Net Profit from ordinary activities after tax as a % of Income	5.87%	6.76%	6.85%
Extraordinary item	28.79	16.64	4.79
Net Profit after tax	**186.22**	**149.24**	**133.22**
Net Profit as a % of Income	5.08%	6.08%	6.61%

Our total expenditures for the years ended March 31, 2008, 2007 and 2006 were Rs. 3,328.95 million, Rs. 2,199.75 million and Rs. 1,796.10 million respectively. As a percentage of our total income, these costs for such periods were 90.88%, 89.69% and 89.13% respectively.

Results of Operations

Due to the nature of different business segments, the change in the contribution of income from such business segments to our income and the nature of expenditure involved in such business segments and the other factors that affect our income and expenditures, our results of operations may vary from period to period.

Fiscal year ended March 31, 2008 compared with Fiscal year ended March 31, 2007

During the twelve-month period ended March 31, 2008, we witnessed many significant events like the acquisition of the hydraulics business of Sauer- Danfoss in Swindon, merger of JKM Daerim Automotive Limited with our Company, commissioning of Unit-2 in our automotive business, product stabilisation of our technology segment in the automotive business and commencement of commercial production to the Sukhoi 30 MKI- Fighter Bomber in the aerospace business.

Income: Our income increased by Rs. 1,210.50 million, or 49.36 %, from Rs. 2,452.63 million in Fiscal 2007 to Rs. 3,663.13 million in Fiscal 2008. This was primarily due to an increase in the net sales

Net Sales: Our net sales increased by Rs. 1,156.72 million, or 48.14 %, from Rs. 2,402.89 million in Fiscal 2007 to Rs. 3,559.61 million in Fiscal 2008. This was primarily due to the acquisition of the hydraulics unit in Swindon UK. We also witnessed a growth in our services income from sub-contract charges income.

Other Income: Our other income increased by Rs. 53.78 million, or 108.12 %, from Rs. 49.74 million in Fiscal 2007 to Rs. 103.52 million in Fiscal 2008. This was primarily due to increase in income from sale of scrap by 43% due to increased prices of steel and aluminium. Increase in income from engineering services and exchange rate gains were other reasons for the increase in Other Income.

Total Expenditure: Our total expenditure increased by Rs. 1,129.20 million, or 51.33 %, from Rs. 2,199.75 million in Fiscal 2007 to Rs. 3,328.95 million in Fiscal 2008. This was primarily due to an increase in employee costs and other operating expenses

Materials consumed. Our expenditure towards materials consumed increased by Rs. 368.52 million, or 24.94%, from Rs. 1,477.81 million in Fiscal 2007 to Rs. 1,846.33 million in Fiscal 2008. This was primarily due to increased scale of operations. However, the increase in the expenditure towards materials consumed was lower due to the acquisition of the hydraulics unit in Swindon UK, where there is lower material cost and higher value-addition.

Employee cost: Our employee cost increased by Rs.384.45 million, or 175.28%, from Rs. 219.33 million in Fiscal 2007 to Rs. 603.78 million in Fiscal 2008. This was primarily due to the acquisition of the hydraulics unit in Swindon UK, where the employee cost incurred on the turnover was higher than the employee cost incurred in

India. The employee count for India operations has increased from 877 employees as on March 31, 2007 to 1,259 employees as on March 31, 2008. The employee count in our UK operations has decreased from 213 employees as on the date of acquisition to 154 employees as on March 31, 2008.

Other operating expenses: Our other operating expenses increased by Rs. 307.05 million, or 91.30 %, from Rs. 336.31 million in Fiscal 2007 to Rs. 643.36 million in Fiscal 2008. This was due to the high expenditure incurred on the following items (i) expenditure incurred towards power, fuel and utilities increased by 88.76 % due to increased cost of power in the new unit commissioned during the year in the automotive business and the initial cost of stabilisation on products for Honeywell Technologies (ii) expenditure incurred towards rent increased by 384.08% due to the rent paid on the acquired premises in Swindon, UK (iii) expenditure incurred towards insurance increased by 330.46% due to the increased premium incurred in UK operations and premium towards product liability. However, this component is built into pricing of products to customers.(iv) expenditure incurred towards repairs and maintenance on plant and machinery and buildings increased by 189.09% and 553.56% respectively. This was primarily due to acquisition of the hydraulics unit in Swindon UK, commissioning of Unit-2 in the automotive business and renovation carried out in Unit-1 of the automotive business (v) expenditure incurred towards carriage outward increased by 218.53% primarily due to export of products from the UK unit to the United States of America.

Depreciation: Depreciation charges increased by Rs.28.67 million, or 28.96 %, from Rs. 98.99 million in Fiscal 2007 to Rs. 127.66 million in Fiscal 2008 due to accelerated deprecation policy adopted for computers and software.

Interest: Expenditure on account of interest charges increased by Rs. 40.51 million, or 60.18%, from Rs. 67.31 million in Fiscal 2007 to Rs.107.82 million in Fiscal 2008. This was principally due to the incurrence of increased interest payments on the fresh loans borrowed for the purpose of acquisition of hydraulics unit in Swindon UK. The increase in borrowings for Fiscal 2008 was Rs. 579.00 million

Profit before tax: Profit before tax increased by Rs. 81.31 million, or 32.15%, from Rs. 252.88 million in Fiscal 2007 to Rs.334.19 million in Fiscal 2008.

Provision for taxes: Provision for taxes increased by Rs.32.17 million, or 36.98%, from Rs. 87.00 million in Fiscal 2007 to Rs.119.17 million in Fiscal 2008.

Net Profit after tax: For the reasons discussed above, our profit after tax increased by Rs. 36.99 million, or 24.79%, from Rs. 149.24 million in Fiscal 2007 to Rs. 186.23 million in Fiscal 2008.

Fiscal year ended March 31, 2007 compared with Fiscal year ended March 31, 2006

During the twelve-month period ended March 31, 2007, our subsidiary JKM Daerim Automotive had engaged in substantial expansion of its manufacturing facilities and developed a number of new products for our automotive customers. We had also initiated several steps in our aerospace business by signing a teaming agreement with Northrop Grumman Corporation and an MoU with Cobham PLC.

Income: Our income increased by Rs. 437.58 million, or 21.72%, from Rs. 2,015.05 million in Fiscal 2006 to Rs. 2,452.63 million in Fiscal 2007. This was primarily due to increase in net sales

Net Sales: Our net sales increased by Rs. 420.84 million, or 21.23%, from Rs. 1,982.05 million in Fiscal 2006 to Rs. 2,402.89 million in Fiscal 2007. This was in line with the normal growth seen by the industry in our business.

Other Income: Our other income increased by Rs. 16.73 million, or 50.68%, from Rs. 33.01 million in Fiscal 2006 to Rs. 49.74 million in Fiscal 2007. This was primarily due to increase in a rise in realizations from sale of scrap due to increased prices in aluminium.

Total Expenditure: Our total expenditure increased by 403.65 million, or 22.47%, from Rs. 1,796.10 million in Fiscal 2006 to Rs. 2,199.75 million in Fiscal 2007. This was primarily due to an increase in the expenditure towards materials consumed.

Materials consumed. Our expenditure towards materials consumed increased by Rs. 323.32 million, or 28.01%, from Rs. 1,154.49 million in Fiscal 2006 to Rs. 1,477.81 million in Fiscal 2007. This was primarily due to the increased volume of business and increase in raw material cost prices.

Employee cost: Our employee cost increased by Rs.34.65 million, or 18.76%, from Rs. 184.68 million in Fiscal 2006 to Rs. 219.33 million in Fiscal 2007. The increase was in line with normal inflationary trends.

Other operating expenses: Our other operating expenses increased by Rs. 32.50 million, or 10.70 %, from Rs. 303.81 million in Fiscal 2006 to Rs. 336.31 million in Fiscal 2007. The reduced increase in other operating expenses is on account of production efficiencies.

Depreciation: Depreciation charges increased by Rs. 5.83 million, or 6.26%, from Rs. 93.16 million in Fiscal 2006 to Rs. 98.99 million in Fiscal 2007.

Interest: Expenditure on account of interest charges increased by Rs. 7.35 million, or 12.26%, from Rs. 59.96 million in Fiscal 2006 to Rs. 67.31 million in Fiscal 2007. This was principally due to the incurrence of increased interest payments on account of fresh loans borrowed during the Fiscal to the extent of Rs. 169.15 million.

Profit before tax: Profit before tax increased by Rs. 33.92 million, or 15.49%, from Rs. 218.96 million in Fiscal 2006 to Rs. 252.88 million in Fiscal 2007.

Provision for taxes: Provision for taxes increased by Rs.6.05 million, or 7.47%, from Rs. 80.95 million in Fiscal 2006 to Rs. 87.00 million in Fiscal 2007.

Net Profit after tax: For the reasons discussed above, our profit after tax increased by Rs. 16.02 million, or 12.03%, from Rs. 133.22 million in Fiscal 2006 to Rs. 149.24 million in Fiscal 2007.

Cash Flows from Operating Activities

(Rupees in Million)

	Twelve months ended March 31,		
	2008	**2007**	**2006**
Net cash from operating activities	372.52	308.09	298.43
Net cash used in investing activities	(803.66)	(443.63)	(185.88)
Net cash from/(used in) financing activities	658.41	128.79	(108.97)
Cash and cash equivalent (Opening)	26.59	33.33	29.75
Cash and cash equivalent (Closing)	253.87	26.59	33.33

Our net cash from operating activities in Fiscal 2008 was Rs. 372.52 million, which was primarily due to increase in sundry debtors and other receivables to the extent of Rs. 142.36 million, increase in inventories to the extent of Rs. 31.60 million and increase in trade and other payables to the extent of Rs. 84.09 million as reduced by the amount of direct taxes, fringe benefit taxes and extraordinary items and the aggregate amount of such changes are reduced from the operating profit before working capital changes of Rs. 569.04 million to arrive at the net cash from operating activities.

Our net cash from operating activities in Fiscal Year 2007 was Rs. 308.09 million, which is primarily due to increase in sundry debtors and other receivables to the extent of Rs. 129.16 million, increase in inventories to the extent of Rs. 34.98 million and increase in trade and other payables to the extent of Rs. 129.31million as reduced by the amount of direct taxes, fringe benefit taxes and extraordinary items and the aggregate amount of such changes are reduced from the operating profit before working capital changes of Rs. 425.64 million to arrive at the net cash used in operating activities.

Our net cash from operating activities in Fiscal Year 2006 was Rs. 298.43 million, which is primarily due to increase in sundry debtors and other receivables to the extent of Rs. 113.24 million, increase in inventories to the extent of Rs. 38.86 million and increase in trade and other payables to the extent of Rs. 140.98 million as reduced by the amount of direct taxes, fringe benefit taxes and extraordinary items and the aggregate amount of such changes are reduced from the operating profit before working capital changes of Rs. 384.51 million to arrive at the net cash used in operating activities.

Cash Flows from Investment Activities

Our net cash flow used in investing activities was Rs. 803.66 million in Fiscal 2008 which was primarily due to purchase of fixed assets amounting to Rs. 452.10 million and business purchase of hydraulics unit in Swindon, UK amounting to Rs. 363.67 million reduced by sale of fixed assets amounting to Rs. 5.44 million and receipt of interest amounting to Rs. 6.09 million.

Our net cash flow used in investing activities was Rs. 443.63 million in Fiscal 2007 which was primarily due to purchase of fixed assets amounting to Rs 450.51 million reduced by sale of fixed assets amounting to Rs.4.68 million.

Our net cash flow used in investing activities was Rs. 185.88 million in Fiscal 2008 which was primarily due to purchase of fixed assets amounting to Rs 190.82 million reduced by interest received amounting to Rs. 3.22 million.

Cash Flows from Financing Activities

Our net cash provided by financing activities in Fiscal 2008 was Rs. 658.41 million which comprised of proceeds from long term borrowings amounting to Rs.485.91 million and proceeds from cash credits amounting to Rs.472.08 million which was partially offset by repayment of long term borrowings amounting to Rs. 149.39 million, repayment of inter-corporate deposits amounting to Rs. 5.00 million, interest paid amounting to Rs. 106.29 million and dividend paid (including dividend tax) amounting to Rs.45.59 million.

Our net cash from financing activities in Fiscal 2007 was Rs.128.79 million which comprised of proceeds from long term borrowings amounting to Rs.174.64 million, proceeds from fixed deposits amounting to Rs.1.93 million and proceeds from cash credits amounting to Rs.46.48 million which was partially offset by repayment of short term borrowing amounting to Rs.10.00 million, interest paid amounting to Rs.66.63 million and dividend paid (including dividend tax) amounting to Rs.17.63 million.

Our net cash used in financing activities in Fiscal 2006 was Rs.108.97 million comprised of proceeds from fixed deposits amounting to Rs.5.39 million and proceeds from cash credits amounting to Rs.44.94 million which was offset by repayment of long term borrowings amounting to Rs.64.75 million, repayment of short term borrowing amounting to Rs.10.14 million, interest paid amounting to Rs.58.66 million and dividend paid (including dividend tax) amounting to Rs.25.69 million.

Capital Expenditures

We have substantial investment in capital equipment and will be required to make investments in capital equipment on a recurring basis. In Fiscal 2008, we invested Rs. 736.00 million towards capital expenditures.

Indebtedness

As of March 31, 2008, we had outstanding secured loans of Rs. 1,575.78 million, which consisted of Rs. 803.51 million in term loans, Rs. 756.69 million in working capital loans and Rs. 13.93 million in Hire Purchase loans against purchase of vehicles

The following table sets forth our repayment obligations under the terms of our indebtedness as of March 31, 2008.

(Rupees in Million)

	Payment due during the year ending March 31, 2009
Secured Loans	119.93
Unsecured Loans	Nil
Public Deposits	10.78

Most of our financing arrangements are secured by certain of our movable and immovable assets. Our accounts receivable and inventories are subject to charges created in favour of specific secured lenders.

Many of our financing agreements also include numerous conditions and covenants that require us to obtain lender consents prior to carrying out certain activities and entering into certain transactions. Failure to meet these conditions or obtain these consents could have significant consequences on our business. Specifically, we must seek, and may be unable to obtain, lender consents to , incur additional debt, issue new securities (debt or equity), change our capital structure, increase or modify our capital expenditure plans, undertake any expansion, undertake new projects, provide additional guarantees, change our management structure, declare dividends, create additional charges on or further encumber our assets, open a bank account with banks other than member banks of the banking consortium, enter into arrangements with, merge with or acquire other companies, whether or not there is any failure by us to comply with the other terms of such agreements.

We believe that our relationships with our lenders are good. Compliance with the various terms of our loans is, however, subject to interpretation, and we cannot assure you that we have requested or received all consents from our lenders that are required by our financing documents. As a result, it is possible that a lender could assert that we have not complied with all the terms under our existing financing documents. Any failure to service our indebtedness, comply with a requirement to obtain a consent or perform any condition or covenant could lead to a termination of one or more of our credit facilities, acceleration of all amounts due under such facilities and cross-defaults under certain of our other financing agreements, any of which may adversely affect our ability to conduct our business and have a material adverse effect on our financial condition and results of operations.

Contingent Liabilities

Our contingent liabilities consist of corporate guarantees given on behalf of subsidiary companies and income tax matters under dispute. As of March 31, 2008, an aggregate amount of Rs. 357.52 million of contingent liabilities was existing.

Sundry Debtors

As of March 31, 2008 a total amount of Rs. 791.68 million was owed to us by our Sundry Debtors. Of these debts, Rs. 56.18 million was owed to us for a period greater than six months. Of the above amounts:

	Fiscal 2008 **(*Rupees in Million*)**
Debtors exceeding 6 months- considered good	43.73
Debtors exceeding 6 months- considered doubtful	12.45
Debtors less than 6 months- considered good	747.95
Debtors less than 6 months- considered doubtful	-

Equity price risk

Equity price risk arises when we are exposed to changes in the fair value of any traded equity instruments that we may hold due to changes in the equity markets. Our exposure to changes in equity prices is not material to our financial condition or results of operations.

Inflation

In recent years, although India has experienced fluctuations in inflation rates, inflation has not had material impact on our business and results of operations.

Unusual or Infrequent Events or Transactions

Except as described in this Placement Document, there have been no other events or transactions that, to our knowledge, may be described as “unusual” or “infrequent”.

Known Trends or Uncertainties

Except as described in "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this Placement Document, to our knowledge, there are no known trends or uncertainties that are expected to have a material adverse impact on our revenues or income from continuing operations.

Future Relationship between Cost and Income

Except as described in "Risk Factors", "Our Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations", to our knowledge there are no known factors that will have a material adverse impact on our operations and finances.

Competitive Conditions

Refer to the sections entitled "Our Business", "Industry" and "Risk Factors" regarding competition on pages 67, 61 and 22 of this Placement Document.

Significant Developments after March 31, 2008

Except as stated elsewhere in this Placement Document, to our knowledge no circumstances have arisen since March 31, 2008, which is the date of the most recent financial statements included in this Placement Document, which materially and adversely affect or are likely to affect our profitability, our financial condition or our ability to pay our material liabilities within the next 12 months.

Except as stated elsewhere in this Placement Document, there are no subsequent developments after the date of the Auditor's report dated July 21, 2008, that we believe are expected to have material impact on our reserves, profits, earnings per share or book value.

INDUSTRY

The information presented in this section has been extracted from publicly available documents from various sources, including officially prepared materials from the Government, its various ministries various research agencies and has not been prepared or independently verified by the Issuer or the Sole Bookrunner

Industry Overview

Hydraulics Industry

The global mobile hydraulic and electronic component market is estimated to be US$ 16.4 billion. The mobile hydraulics market which is a sub segment of the mobile hydraulic and electronic component market is pegged at US$ 14.9 billion and further the open circuit mobile products market is estimated to be US$ 1.4 billion. Hydraulic Gear pumps constitute an important segment of the open circuit products market. Open circuit products are applied to provide power to the work functions of on- and off-road vehicles such as tractors, material handling equipment and construction machinery. They can be used, for example, to drive the steering system, the lifting system and the fan motor of mobile machinery. Gear pumps and open circuit axial piston pumps are both typical open circuit products. Due to its simple structure and competitive price, gear technology is the most widely used in the hydraulic pump and motor industry. A gear pump creates hydraulic pressure by meshing gears to pump fluid by displacement. Gear pumps can also be referred to as fixed displacement pumps, meaning that they deliver the same amount of fluid on each gear cycle. Consequently, hydraulic output volume can only be changed by altering the speed of the pump, which limits controllability.

In general, gear pumps can be designed to function as either a pump or a motor as the same technology and components are used for each. The major difference is in hydraulic flow direction. A hydraulic pump converts mechanical power into hydraulic power whereas a hydraulic motor converts hydraulic flow back to mechanical power. Gear pumps can be broadly categorised using the following criteria:

- Body material – Approx. 80% of pumps have aluminium body structures as these have a high power-to-weight ratio. The remaining 20% is predominantly made up of cast iron pumps, which are used in heavy-duty applications

- Size and displacement rate – As an industry standard, gear pumps are divided into five groups according to size and displacement rate. Group 1 pumps are those with the lowest displacement rates. These are used in small vehicles such as fairway mowers. Group 5 pumps have the highest capacity and are only used in larger vehicles

The displacement of axial piston pumps can be fixed or variable. If variable, the displacement is adjusted to increase or decrease the quantity of fluid pumped. Normally, axial piston pumps are used in applications where system requirements are more demanding in terms of hydraulic pressure and controllability.

In recent years, manufacturers have focused their R&D resources on increasing operational pressure levels, decreasing product sizes and costs and complying with the latest environmental legislation, under which permissible noise levels have been reduced and the use of environmentally friendly fluids in hydraulic systems has become mandatory.

The global open circuit products market is estimated to be USD 1.4 billion per annum. Approx. 70% of products are sold directly to OEMs, with the remaining 30% being supplied through independent component distributors. Historically, the Americas and Europe have been the largest markets for mobile hydraulics including open circuit products. However, the Asian market, driven by China and India in particular, has grown considerably in recent years due to strong demand growth and the continuously increasing manufacturing base. Consequently, today’s global market is fairly evenly split between the Americas, Europe and Asia.

Mobile hydraulics and electronics
USD 16.4 billion

↓

Mobile hydraulics
USD 14.9 billion

- Cylinders, hoses & fittings, filters, valves, gearboxes
- Pumps and motors for closed and open circuit applications

↓

Open circuit products
USD 1.4 billion

- Gear pumps and motors, open circuit axial piston pumps
- Pumps for hydraulic power package

Demand drivers

The global market for open circuit products is expected to grow by approx. 5% to 6% per annum in the medium-term, with the fastest growth being in Asia and the slowest in the Americas. Major growth drivers include:

- General economic situation – Demand for mobile hydraulics follows that of the mobile machinery industry, which, in turn, is largely driven by general economic conditions. In the medium-term, the strongest growth prospects lie in China and other emerging markets, as high economic growth triggers investment in more efficient technology
- Higher cost of hydraulics – Efficiency, safety and environmental (e.g. noise) requirements are becoming more onerous, which has the effect of increasing the number and value of hydraulic products in each machine. For example, the average tractor size is increasing and so each tractor requires more hydraulic power
- Legislation – Recent US and European Union legislation has stipulated a reduction in engine emission levels. To meet these requirements, engine temperatures have to be controlled very closely and greater cooling capacity is required to do this. As a result, more efficient fan drive systems are required. This will have the effect of increasing the pressure and displacement of pumps and motors in the fan drive system, which will result. in increased demand for axial piston pumps at the expense of gear pumps
- Replacement demand – The continuously increasing base of mobile machinery is triggering growth in aftermarket sales. The average lifetime of a hydraulic gear pump is approx. 8 to 10 years, whereas a mobile vehicle has a lifetime of up to 30 years

Automobile industry

The Global production of passenger and commercial vehicles has reached a new record of 66.46 million units in 2005. There has been an addition of 10.59 million vehicle production since1997. A majority of this growth is coming from the Asia – Pacific region (excluding Japan). The production has nearly stagnated in Western Europe at 17 million, NAFTA at 16 million and Japan at 10 million but it has more than doubled in Asia-Pacific region from 7.1 million in 1997 to 16 millionin2005 A bulk of this increase in Asia- Pacific region has come from China where production has trebled from 15.82 lakh units in 1997 to 46 lakh in 2005. The second contributor to this growth is India where production has doubled going up from 7.72 lakh units in 1997 to 15.76 lakh in 2005.The third contributor to this growth is Thailand where it has increased from 3.60 lakh units in 1997 to 8 lakh units in 2005. The 12 global majors account for 53.02 million of vehicles produced in 2005, which is 80% of the total production of 66.46 million

The industry being highly capital intensive, has entry barriers for smaller players. Even the existing global auto majors themselves are realigning their production bases coming closer to the scene of action in Asia- Pacific region, mainly in China, India and Thailand. Besides the above, the constant pressure for cost reduction on OEMs is compelling them to outsource more and more components from Low Cost Countries. The changing scenario has opened up opportunities for Indian Automotive Industry

The Indian Automobile Industry produced 8.5 million vehicles in 2004-5 amounting to around USD 25 billion. During the financial year 2005-06, Indian Automobile Industry produced more than 9.7 million vehicles amounting to almost USD 28 billion. The growth in production was 15%. India is the second largest market for two wheelers in the world. However, in value terms, the value of the market for passenger cars and CVs is higher than the market size for two wheelers

Automotive Industry, globally, as well in India, is one of the key sectors of the economy. Due to its deep forward and backward linkages with several key segments of the economy, automotive industry has a strong multiplier effect and acts as one of the key drivers of economic growth. The well-developed Indian automotive industry produces a wide variety of vehicles: passenger cars, light, medium and heavy commercial vehicles, multi-utility vehicles such as jeeps, scooters, motor-cycles, mopeds, three wheelers, tractors and other agricultural equipment etc. The sector has high potential for providing employment. The production of all categories of vehicles has grown at a rate of 16% per annum over the last five years. The last 5 years production figures are given in the table below;

Category	**2001-02**	**2002-03**	**2003-04**	**2004-05**	**2005-06**
Passenger Cars	564,052	608,851	842,437	960,505	1,045,881
Multi Utility Vehicles	105,667	114,479	146,103	249,149	263,032
Commercial Vehicles	162,508	203,697	275,224	350,033	391,078
Two Wheelers	4,271,327	5,076,221	5,624,950	6526,547	7600,801
Three Wheelers	212,748	276,719	340,729	374,414	434,424
Total	**5,316,302**	**6,279,967**	**7,229,443**	**8,460,648**	**9,735,216**
Percentage growth	11.70	18.60	15.12	16.80	15.06
Source: SIAM					

Indian automotive industry is now finding increasing recognition worldwide. While a beginning has been made in export of vehicles, the potential in this area still remains to be fully tapped. Significantly, during the last two years the export in this sector has grown specifically in export of cars and two / three wheelers. The automobile exports crossed USD 1 billion mark in 2003-04 and reached USD2.28 billion in 2005-06. The table below indicates the performance of automobile export during last six years.

Category	**2000-01**	**2001-02**	**2002-03**	**2003-04**	**2004-05**	**2005-06**
Passenger Cars	22,990	50,088	70,828	126,249	160,677	170,193
Multi Utility Vehicles	4,122	3,077	1,177	3,067	5,736	5,579
Commercial Vehicles	13,770	11,870	12,255	17,227	29,949	40,581
Two Wheelers	111,138	104,183	179,682	264,669	366,724	513,256
Three Wheelers	16,263	15,462	43,366	68,138	66,801	76,885
Total	**168,283**	**184,680**	**307,308**	**479,350**	**629,887**	**806,494**
Percentage growth		09.74	66.40	55.98	31.40	28.03
Source:SIAM						

Sales of passenger cars and utility vehicles have grown at 12% CAGR over the last decade. However, in 2005-06 the growth rate for the passenger car segment was lower than 8%. Sales of passenger cars post 2000 have been driven by increase in the number of available models, purchasing power, especially of the middle class, easy availability of car finance, favourable government policies and growth of used car market. Further reduction in cost of ownership would fuel demand for passenger vehicles

Commercial vehicles sales have grown at a 4.4% CAGR over the last decade and the segment has also demonstrated cyclical trends. In 2005-06, however, growth was over 10% in domestic sales and production. Exports have also picked up – registering a growth of 36% over the last year. Growth in the commercial vehicle sector is dependent on the general economic trend, development of infrastructure projects, transport economics and availability of freight, replacement period of vehicles, easy availability of credit and favourable government policies

Today, the Indian auto component sector has over 500 organised players and about 5000 unorganised sector players. The players of organised sector reached a turnover of over USD 14 billion in 2005-06. Demand from OEMs account for 67% of sales, replacement market accounts for 19%, while exports account for over 14% at about USD 2.0 billion. This is exclusive of tyres, batteries and imported components

Indian auto component industry is quite robust with around 500 firms in the organised sector producing practically all parts and more than 10,000 firms in small unorganised sector, in tierized format. The auto component sector has been one of the fastest growing segments of auto industry. The Industry also sustained a high growth rate and could achieve growth of 20% in 2001-02, 18.20% in 2002-03, 19.92% in 2003-04, 25.65% in 2004-05 and 18.08% in 2005-06. The industry, over the years, developed the capability of manufacturing all components required to manufacture vehicles, which is evident from the high levels of indigenisation achieved in the vehicle industry as well as the components developed for the completely Indian made vehicles like the Tata Indica, Tata Indigo and Mahindra Scorpio. The component industry has now holistic capability to manufacture the entire range of auto-components e.g. Engine parts, Drive, Transmission Parts, Suspension & Braking Parts, Electricals, Body and Chassis Parts, Equipment etc. The component-wise share of production is Engine parts-31%, Drive and Transmission Parts-19%, Suspension and Braking Parts-12%, Electricals-9%, Body and ChassisParts-12%, Equipment-10%.

Auto component industry growth is directly linked to the growth of automobile industry since more than 65% sales is to the OEMs. However, in recent years, component exports are becoming an important growth driver and it is expected to assume greater importance in future. Currently the Auto component Industry manufactures a wide range of products in India for both domestic consumption and exports. The total size of the component industry is close to USD 14 billion out of which USD 9.4 billion is the domestic OEM market, USD 2.6 billion is the domestic aftermarket and USD 2.0 billion are the direct exports of components. More than 60% of the exports of auto-components are to Europe and USA. More than 70% of the exports go to the OEMs and Tier-I suppliers and only 30% to the global aftermarket, indicating the high level of maturity in quality and technology that has been achieved by the component industry.

It is expected that the world production of Auto-Components would reach USD 1.7 Trillion by 2015. About USD 700 billion worth of auto-components shall be sourced out from low cost countries (LCCs) by 2016. If India targets to get a 10% share of this potential, it would mean USD 70 billion, nearly five times current total size of the industry in India. However, this Mission Document has set a modest target of USD 25 billion by 2016 for export of auto components

The projected size in 2016 of the Indian automotive industry varies between USD 122 billion and USD 159 billion including USD 35 billion exports. This translates into a contribution of 10-11% to India’s GDP by 2016, that is, double the current contribution. This would mean a domestic vehicle market of USD 82 billion to USD 119 billion by 2016, USD 12 billion exports of vehicles and tractors, USD 20-25 billion component exports and more than USD 5 billion after market of components. Another USD 2 – 2.5 billion in engineering services outsourcing opportunity is expected to develop. The total size of the auto component industry in India is expected to become USD 40-45 billion by 2016. This calls for a major focus and policy initiative to market India as an attractive “Manufacturing Destination”.

India, with its huge domestic market, rapidly growing purchasing power, market linked exchange rate and well established financial market and stable corporate governance framework is emerging as an attractive destination for new investments in this sector. The rapid improvement in infrastructure including road, port, power and world class facilities for Testing, Certification and Homologation, coupled with availability of trained manpower and enabling government policies to promote fair competition make Indian Automotive Industry more competitive in world besides making the country a favourable destination for investment by global majors in auto industry.

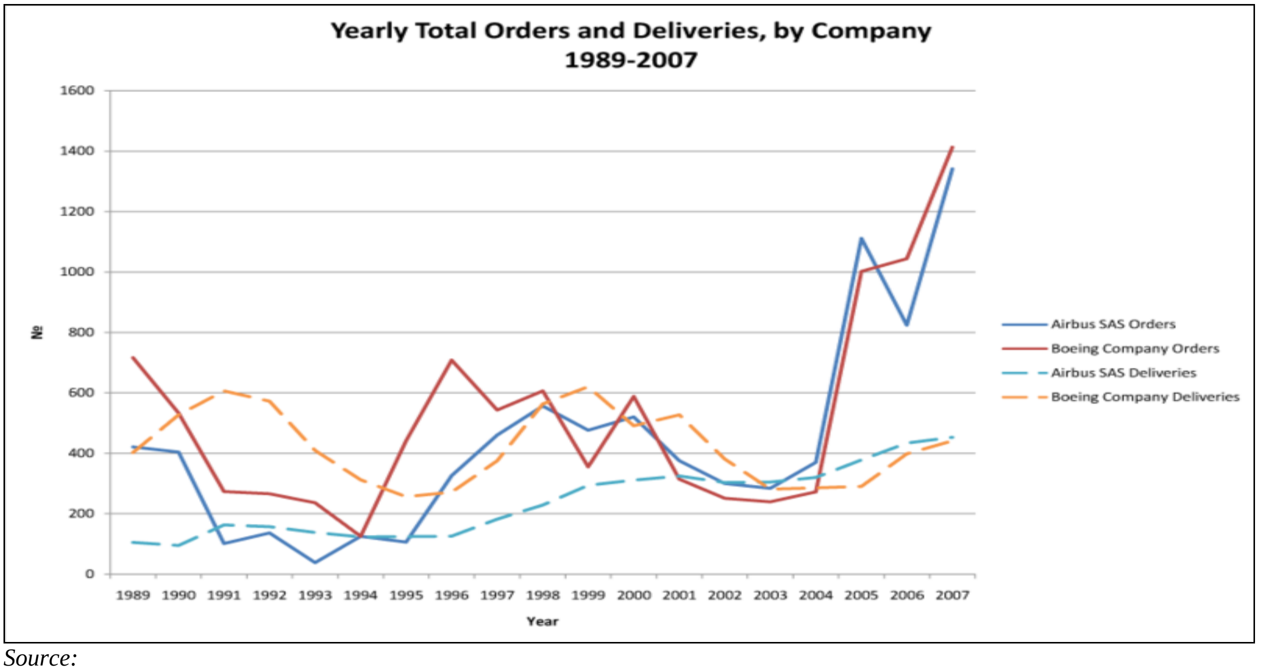
Aerospace Industry

The full-year air traffic results for 2007 released by The International Air Transport Association (IATA) in February 2008 highlights that International passenger traffic demand grew 7.4% for the full-year 2007 up considerably from the 5.9% increase recorded during 2006. December passenger traffic demand rose 6.7% down from the 9.3% jump recorded in November. This step down reflects the impact of rising prices and economic uncertainty that grew more acute in December. Average international passenger load factors reached an industry record 77.0% in 2007, up from 76.0% in 2006 and 75.1% in 2005. This trend will likely end in 2008 as demand growth is forecast to slow to 5% while capacity rises 5.2%

Regional results for the full-year were varied:

- Carriers in the Middle East recorded an 18.1% increase in passenger demand continuing a four-year trend of double digit increases. This was the highest among all regions, resulting from strong regional economies, the impact of oil wealth, expanded capacity and new routes.
- Latin American airlines recorded 8.4% demand growth resulting from the effects of restructuring in the region - a sharp recovery compared with the 2.4% fall in 2006.
- African carriers recorded above average growth of 8% reflecting the strong economic growth and successful market liberalisation in parts of the continent.
- Asia Pacific carriers' 7.3% growth mirrored that of the global average. Growth indicates the continuing strength of the Chinese and Indian economic expansion making air travel accessible to large new markets.
- Europe saw demand rise from 5.3% in 2006 to 6.0% in 2007, reflecting steady economic growth and expansion on long-haul routes to Asia and the Middle East.
- North America recorded 5.5% growth in 2007. This continues the growth of 5.7% recorded in 2006 as region's carriers transfer capacity to more lucrative international markets.

To accommodate burgeoning passenger traffic on domestic and international routes, airlines across the world are engaged in the expansion of their fleets. Record orders for new airplanes placed in 2005 have almost doubled the total orders of aircraft manufacturers such as Boeing and Airbus and most aircraft deliveries are likely to take place over the next five years



Source:
Airbus deliveries until May 31: http://www.airbus.com/en/corporate/orders_and_deliveries/
Boeing deliveries until May 31. http://active.boeing.com/commercial/orders/index.cfm?content =displaystandardreport.cfm&optReportType= CurYrDelv

Important locations of the civil aerospace industry worldwide include Seattle in the USA (Boeing), Montreal in Canada (Bombardier), Toulouse in France and Hamburg in Germany (both Airbus/EADS), the North-West of England and Bristol in the UK (BAE Systems, Airbus and AgustaWestland), as well as São José dos Campos in Brazil where Embraer is based.

Indian Defense Sector

India is the third largest importer of arms and equipment in the world. Every year nearly 30 to 40 % of the defence budget finds its way out of the country towards acquisitions either through direct or indirect imports. This is a major amount for any country leave alone India. The bottom line is that a substantial amount of precious National resources move out without giving corresponding benefit to the nation. In order to leverage this buying power of the country, to achieve greater self reliance in defence production, Ministry of Defence, Government of India has announced the Offset Policy as part of the Defence Procurement Procedure (DPP) 2005. The offset policy given in DPP 2005 mentions inclusion of an offset clause amounting to a minimum of 30 percent of the indicative costing in the RFP where the indicative cost of the contract is Rs 300 Crores or more.

The Offset Policy introduced in DPP 2005 was further fine tuned in DPP 2006 as the offset clause would be applicable for all procurement proposals where indicative cost is above Rs 300 Crores and the schemes are categorized as Buy (Global) involving outright purchase from foreign / Indian vendors and Buy and Make with Transfer of Technology i.e Purchase from foreign vendor followed by Licensed Production. These provisions will apply to all Capital Acquisitions categorized as Buy (Global), i.e., Outright Purchase from foreign/ Indian vendor, or Buy and Make with Transfer of Technology, i.e., Purchase from foreign vendor followed by Licensed Production, where the indicative cost in the Request For Proposal (RFP) is Rs 300 crore or more.

Initially, a uniform offset of 30% of the indicative cost of the acquisition in Buy (Global) category acquisitions and 30% of the foreign exchange component in Buy and Make category acquisitions will be the minimum required value of the offset. Based on a review of the experience of implementing these provisions, the minimum offset percentage for the following two years will be prescribed with the approval of the Defence Acquisition Council. The DAC may, after due deliberation, also prescribe varying offset percentages above 30% for different classes of cases or for individual cases depending upon the factors involved such as strategic importance of the acquisition or technology, enhanced ability of Indian defence industry to absorb the offset, export potential generated, etc.

These provisions will also apply with appropriate modifications to Buy and Buy and Make with components for warship construction where the value of individual contracts is Rs 300 crore or more. In such cases, references to the Acquisition Wing will mean the DDP or shipyard which is building the ship and procuring the system or sub-systems. For the purpose of defence purchases made under the DPP 2006, offset obligations shall be discharged directly by any combination of the following methods:

- Direct purchase of, or executing export orders for, defence products and components manufactured by, or services provided by, Indian defence industries, i.e., Defence Public Sector Undertakings, the Ordinance Factory Board, and any private defence industry manufacturing these products or components under an industrial licence granted for such manufacture. For the purpose of defence offset, services will mean maintenance, overhaul, upgradation, life extension, engineering, design, testing, defence related software or quality assurance services.
- Direct foreign investment in Indian defence industries for industrial infrastructure for services, co-development, joint ventures and co-production of defence products.
- Direct foreign investment in Indian organisations engaged in research in defence R & D as certified by Defence Offset Facilitation Agency (DOFA).

The offset obligations are to be fulfilled coterminous within the period of the main contract. All offset offers which satisfy the minimum eligibility conditions will be placed on par and no preference will be given for any extra amount offered. The advisability of giving additional weights to offers having multiplier effects in terms of exports generated or building indigenous capability in strategic technology products, or other issues may be considered after reviewing the experience of implementing the above policy.

OUR BUSINESS

Overview

We are a fully integrated company, producing highly engineering precision products and services, with presence in diverse high-growth business segments. We are present across the following business segments: hydraulics, automotive, aerospace, foundry (metallurgy) and design. We provide these services either directly, through our subsidiaries or in certain cases through third parties. Our products find applications in the Automotive Sector, Defence Sector, Agricultural Equipment Industry and Construction Equipment Industry. With over three decades of manufacturing experience, we have a vertically integrated manufacturing structure spread in two continents with global deliveries into all six continents. We are equipped to deliver from concept and design to manufacture of products and delivery of services in each of the business segments from our facilities in Bangalore, Chennai and Swindon.

Our Company was incorporated in 1973 in Bangalore, India as Dynamatic Hydraulics Limited primarily for the manufacture of quality hydraulic equipment, fluid systems and specialized engineering products in technical collaboration with Dowty Hydraulic Limited, UK. We changed our name from Dynamatic Hydraulics Limited to Dynamatic Technologies Limited on December 14, 1992. We have grown from being a pure-play hydraulic equipment manufacturer to a provider of highly engineered precision products and services across diverse business segments with a history of sustained growth performance.

Our hydraulics business is the oldest business of the Company and is located in Bangalore, India and Swindon, UK. We are one of the leading manufacturers of hydraulic gear pumps in the world. . Our products have various applications in agricultural equipments, construction equipments and industrial applications. Our products are used in agricultural tractors, earth-moving equipments, material handling equipments, mining and drilling equipments and road paving equipments. In addition to hydraulic gear pumps, we manufacture a wide range of sophisticated hydraulic valves and custom tailored hydraulic solutions extending from simple hydraulic pumping units to sophisticated marine power packs, complex aircraft ground support systems to turnkey industrial installations. We have design and development partnerships with major global tractor OEMs. Our customers include Mahindra & Mahindra, Eicher Tractors, Punjab Tractors, Same Deutz-Fahr, Escorts Limited, L&T John Deere, New Holland India, BEML, Godrej & Boyce, HMT, BHEL, Telco. Our products are exported to over 30 countries and are being used as original equipments in USA, UK, Canada and South Korea. We have recently acquired the business unit of Sauer-Danfoss' Swindon unit in June 2007. The hydraulics division currently employs 423 employees in the Bangalore unit and 160 employees in the Swindon unit

The automotive business of our Company is housed in a separate division- JKM Automotive and is located in Chennai. We produce high quality ferrous and non-ferrous critical engine and transmission components for the growing global automobile industry. The automotive business of our Company was originally carried on in JKM Daerim Automotive Limited, which was a 73: 27 joint venture between DTL and Daerim Enterprises- Korea. Subsequently, in January 2007, one of our Promoter Group Companies, Udayant Malhoutra & Company Private Limited purchased the 27% stake of Dae Rim Enterprise Co. Ltd. In March 2008, DTL merged with itself JKM Daerim Automotive Limited and pursuant to this merger, our Company's automotive business is fully housed within JKM Automotive. Apart from supplying components to the Highway segment, we are also present in the Off-Highway segment and cater to manufacturers of Technology products. Being a single source supplier to many global automotive OEMs for majority of our products, our largest customer is Hyundai Motor India Limited. Our other customers include Ford Motor Company, Tata Motors, General Motors, Renault, John Deere, Cummins, Simpsons and Honeywell. The automotive division currently employs 349 employees.

The aerospace business of our Company is carried on in a separate division – Dynamatic Aerospace and is located in Bangalore. We have the largest infrastructure in the private sector. We are a recognized player in the Indian private sector for the development of complex aerostructures using aluminum, steel & titanium. We commenced business in this division by producing hydraulic transmission system for India's T-72 Battle Tanks. We have designed the steering control system, turret control system and braking system for Arjun, India's main battle tank. Our key projects include LAKSHYA- India's Pilotless Target Aircraft, HJT-36 Intermediate Jet Trainer and Sukhoi MKI 30

Fighter Bomber. We manufacture wings, fins, stabiliser, air brakes and related components for a variety of aircraft models. We were formerly undertaking pure defense assignments in our aerospace division. We have recently forayed into non-defense activities by manufacturing flap track beam assemblies for the A320 Single aisle aircraft family to be delivered through one of the global majors. The aerospace division currently employs 212 employees.

Our foundry business is housed in a separate division of the Company – Dynametal and is located in Chennai. The foundry division primarily caters to in-house requirements of the hydraulics, automotive and aerospace divisions. We produce high quality non-ferrous alloy castings for industrial, automotive and aerospace applications. Dynametal currently employs 112 employees

The design division of our Company – Powermetric is located in Bangalore and is engaged in design validation and optimization, analysis and prototyping. The design division caters primarily to in-house requirements. We offer design consultancy in mechanical engineering. Apart from concept to product development and analysis, we undertake installation and configuring of product design solutions and mapping of manufacturing/testing processes. We have recently forayed into engineering services business and have started providing services to National Super Suction, USA. The design team at Powermetric is the extended R&D facility of National Super Suction and will collaborate on new product development, re-design and design validation. The design division currently employs 25 highly skilled engineers

Our income (including other income) has grown from Rs. 2,015.05 million in Fiscal 2006 to Rs. 3,663.13 million in Fiscal 2008, which is a CAGR of 35 % and our profit after tax has increased from Rs. 115.90 million in Fiscal 2006 to Rs. 186.22 million in Fiscal 2008, which is a CAGR of 27 %.

The table below provides a breakdown of our income from each business, during Fiscals 2008, 2007 and 2006:

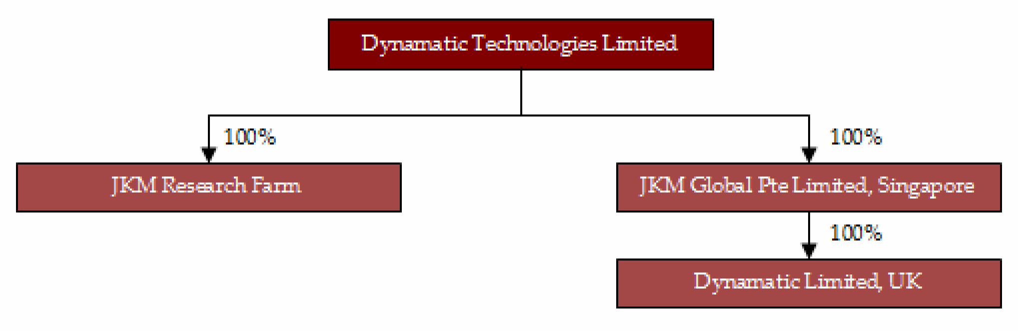
(*Rupees in Million*)

	Fiscal 2008		**Fiscal 2007**		**Fiscal 2006**	
Business	**Revenue**	**% of Total Revenue**	**Revenue**	**% of Total Revenue**	**Revenue**	**% of Total Revenue**
Hydraulics and Precision Engineering	1,839.08*	50.21%	851.68	34.73%	709.76	35.22%
Aluminium Castings	16.15	0.44%	24.89	1.01%	26.63	1.32%
Automotive Components	1,807.88	49.35%	1,576.06	64.26%	1,278.66	63.46%

** includes unallocated income of Rs. 22.59 million*

We are an ISO 9001 and ISO 14001 certified company and adhere to international quality standards. In the automotive business, we have obtained the QS 9000, ISO 14000, TS16949 and OSHAS 18000 certifications. We are also 100 PPM certified by Hyundai Motor India Limited and have received the FORD Q1 certification. In the aerospace business, we have received many awards and certifications. We are the only company in the private sector to be certified by Airbus for supplies (along with our vendors). We have received the DGAQA approval for in-house processes. We are ISO 9001: 2000 certified and are the first Indian aerospace company to be certified to AS9100 standards for aero-structures. We have been awarded the “Creative Partner” award for the year 1998-1999 by DRDO, ADE and ASIEO, the “HAL Best Vendor Award” in 2002-03 by HAL’s aircraft division and the “Outstanding Vendor Award” in 2008 award by HAL.

Our corporate structure is as follows:



Our Competitive Strengths

We believe that we are well positioned to sustain the existing leadership position in each business segment across key markets as well as to exploit significant growth opportunities that exist in our businesses. We believe that our competitive strengths include the following:

Presence in diverse business segments which are highly synergistic

We are present in diversified business segments of hydraulics, automotive and aerospace sectors and our products find applications in all important facets of the country – from agriculture to aerospace. We believe that these diverse revenue streams will reduce our dependence on any particular sector, thereby shielding us from sector-specific depressions. We are equipped to deliver solutions from concept to product by having state-of-the-art manufacturing facilities backed by a strong design division and a dedicated foundry which supplies castings to the manufacturing facilities of our Company. Further, the recently acquired hydraulics unit in Swindon has significant untapped latent capacity and also will enjoy greater operational and cost efficiencies on account of sourcing its casting requirements from Dynametal.

Significant operating experience

We have over three decades of experience in the manufacture and distribution of hydraulic equipments and over a decade of experience in our automotive and aerospace businesses. We have an established global footprint, with deliveries into all 6 continents. We believe that our long experience in each of our businesses and our successful operations in the past will provide us with a significant competitive advantage in our businesses where substantial expansion is expected in the future

Our leadership position in the hydraulics business

We are one of the world's leading manufacturers of hydraulic gear pumps. We own the design of every part that we make. With the acquisition of the hydraulics unit at Swindon, we have access to the gear pump technology by Dowty and Plessey, the pioneers of gear pump technology worldwide, giving us a significant competitive advantage. We believe that this acquisition will grant us quick and easy access to the European and US markets, bring in new OEM customers and enhance our potential to develop our aftermarket business. We have also acquired broader technologies to support our overall business, in addition to benefiting through inorganic growth with a better synergistic effect. We have presence across urban and rural markets for our hydraulics products by having a distribution network of over fifty distributors across the country. To leverage on our distribution strengths, we have entered into marketing tie-ups with ATOS spa, Italy, and Walvoil spa, Italy, for the national level distribution of their products

Strong competence in the automotive business

Our automotive business is located in Chennai, which is the automotive hub of the country. The total investment by Ford and Hyundai in Chennai is about USD 3.38 billion. In addition to Hyundai's and Ford's own expansion program, Mahindra, Renault and Nissan are setting up greenfield facilities at Chennai. We believe that 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 OEMs will create substantial growth opportunities in future. Thus we believe we enjoy a significant locational advantage in our automotive business. We also enjoy strong relationships with our customer base, being the single source supplier to some of our OEM customers.

Our strengths in the aerospace business
We are the first Indian company to have obtained the AS9100 certification standards for aero-structures, which is a significant entry-barrier and have also been certified by Airbus for our supplies. We believe that we have an ideal location for our aerospace business with proximity to our largest customer - HAL. We also have long term contracts signed with a global major from Europe for supplies to Airbus. We believe that we are poised to benefit from the large offset commitments undertaken by global majors on their contracts with the Government of India and already have teaming agreements in place for the same.

Strong design capability and scalability
We have a strong in-house design division which is engaged in design validation and optimization, analysis and prototypes employs world-class engineers with a large bandwidth of skill sets. We have several R&D achievements to our credit, and have been recognized by the Department of Scientific and Industrial Research, Government of India as a "Recognized in-house R&D unit". We believe that in our business areas, which requires continuous R&D efforts, our design capability and scalability will be a significant competitive strength.

Proven management team and skilled manpower with wide experience
We believe that our top management team is well-qualified and experienced in our business areas. We encourage and promote a professional management culture that allows management to execute our objectives effectively. Our middle and lower level management staff have a wide experience in their respective business areas. We believe that this deep domain knowledge contributes to our understanding of the business areas and ensures quick turn-around and delivery of quality products, thus proving to be a significant competitive strength.

Well-developed, strong blue-chip customer relationships
We enjoy strong customer relationships with several marquee players including Hyundai, Ford, Tata Motors, John Deere, Case New Holland, Honeywell, Mahindra & Mahindra, HAL and one European global major. Our well-developed client relationships across business segments (single source supplier to OEMs in the automotive segment and long-term contracts in the aerospace business) creates significant entry barriers

Our Strategies

To emerge as a global player in the hydraulics business
We believe that we have established a leadership position in the hydraulics business, and intend to continue building on our expertise and execution capabilities in this sector, given the growth potential. We plan to emerge as a global player and our recent acquisition of the plant in Swindon is a move to reach to global customers. We plan to increase focus towards products which erstwhile did not have a dominant presence in our portfolio. We intend to foray into new generation cast-iron gear pumps in the hydraulics sector which command better margins and offer a better value proposition than aluminum pumps, to cater to the fast growing infrastructure and construction segments. We also plan to change our business mix by increasing our focus towards the replacement market (in the agricultural market) and shift towards non-agricultural markets.

Change in business mix in the automotive business
We plan to enhance the capacities of our existing plants to cater to the growing requirements of our existing and new clients. Hyundai is currently our biggest customer in the highway segment. We plan to broaden our customer base in the highway segment by servicing other customers including Ford Motor Company, Tata Motors, General Motors, Renault and Getrag Ford. We also plan to increase focus on the off-highway and technology segments in the automotive sector, with new customers having been added in the previous fiscal.

Increased focus towards aerospace business
We plan to increase our focus on the aerospace business going forward and undertake capacity expansions in this regard. In this direction, we are in the process of setting up a dedicated manufacturing facility for one of our aerospace clients. We also plan to grow through inorganic acquisitions. We believe that there is tremendous potential on account of the large offset commitments undertaken by global majors on their contracts with the

Government of India and already have teaming agreements in place for the same. We intend to concentrate our efforts in this business going forward

Evolve in-house businesses into independent businesses
Our foundry and design divisions currently primarily cater to in-house requirements. We plan to evolve these businesses into independent businesses. In this direction, we have already forayed into the engineering services business by collaborating with National Super Suction, USA- a world leader in floor cleaning technology.

Strengthen capabilities and achieve cost benefits through inorganic expansion
We intend to explore inorganic opportunities within and outside India that would complement our existing capabilities. We believe that this will enhance our ability to grow our business, help in cost reductions and reduce business risk through diversification. This may be achieved through potential strategic acquisitions that offer opportunities for sustainable and profitable growth. We plan to acquire companies which have complementary capabilities and presence in different geographic locations.

Attract and retain talented professionals
We currently employ 1282 employees across all our businesses. Our employees are talented and have a wide experience in their respective domains. We plan to retain the existing talent pool and attract talented professionals by imparting suitable training and development programmes.

Develop and continue maintaining strong relationships with our customers and strategic partners
We enjoy strong relationships with our customers and strategic partners. Our customers include marquee players like Hyundai, Ford, Tata Motors, John Deere, CNH, Honeywell, Mahindra & Mahindra, HAL and another global major. We have entered into long term contracts with HAL, Cobham and another global majors and teaming agreements with international players for the Government's Offset programme. We intend to continue maintaining strong relationships with our existing customers and partners and actively pursue new client acquisition opportunities

Continued investments in Research and Development
We plan to further build our in-house design capabilities by investing in R&D activities. Given that sustained growth can be achieved only by continuous R&D efforts, we plan to increase our capital investments in this area.

Our Operations

We are a fully integrated company, producing highly engineering precision products and services, with presence in diverse high-growth business segments. We are present across the following business segments - hydraulics, automotive, aerospace, foundry and design with high inter-division synergistic opportunities.

Design	Foundry	Hydraulics	Automotive	Aerospace
▪ Design validation and optimization, analysis, prototypes by a pool of engineers experienced in structural, dynamic and thermal engineering ▪ Currently design support is for in-house requirements ▪ Recently forayed into engineering services business and started providing services to National Super Suction, USA	▪ Production of high quality non-ferrous alloy and castings for automotive, industrial and aerospace applications ▪ Foundry business currently caters to in-house requirements	▪ Manufacturers of hydraulic gear pumps, a wide range of hydraulic valves and custom tailored hydraulic solutions extending from simple hydraulic pumping units to sophisticated marine power packs, complex aircraft ground support systems to turnkey industrial installations ▪ Products find applications in agricultural tractors, construction equipments, earth-moving equipments, material handling equipments, mining and drilling equipments and road paving ▪ Customers include major domestic and global OEMs and replacement market	▪ Manufacturers of high quality ferrous and non-ferrous critical engine and transmission components ▪ Major products include water pumps, oil pumps, inlet manifolds, rocker arms, exhaust manifold case assemblies fork shifts, compressor housings, delivery pipes, rocker covers, engine brackets and various engine and transmission parts ▪ A single source supplier to Hyundai and supplier to other global and domestic OEMs, manufacturing highway, off-highway and technology products	▪ Developers of complex aero structures using aluminum, steel & titanium and have the largest infrastructure in the private sector ▪ Key projects include LAKSHYA, India's Pilotless Target Aircraft, HJT-36 Intermediate Jet Trainer, Sukhoi MKI 30 Fighter Bomber ▪ Manufacturers of wings, fins, stabiliser, air brakes and related components for a variety of aircraft models ▪ Recently forayed into non-defense activities by manufacturing flap track beam assemblies for the A320 single aisle aircraft family to be delivered through one of the global majors.

Backward integration to feed the hydraulics, automotive and aerospace businesses

Our manufacturing facilities are located in Bangalore, which is spread across 224,413.35 sq ft and in Swindon, UK which is spread across 228,000 sq ft. Our manufacturing plant in Chennai at Sriperumbudur with a single piece flow / lean manufacturing methodology is spread across 86,248.804 sq ft.

Our hydraulics business:

Our hydraulics business is the oldest business of the Company and is located in Bangalore, India and Swindon, UK. We are one of the leading manufacturers of hydraulic gear pumps in the world. Our Company was incorporated in 1973 in Bangalore, India as Dynamatic Hydraulics Limited primarily for the manufacture of quality hydraulic equipment, fluid systems and specialized engineering products.

In addition to hydraulic gear pumps, we manufacture a wide range of sophisticated hydraulic valves and custom tailored hydraulic solutions extending from simple hydraulic pumping units to sophisticated marine power packs, complex aircraft ground support systems to turnkey industrial installations. Some of the products manufactured at the Swindon plant include standard and custom aluminum gear pumps with integral valves, cast iron gear pumps, open circuit piston pump packages and fan drive systems. On the back of our continuing R&D efforts, we have introduced several new products in our hydraulics business, which include high pressure-high load tolerant cast iron pumps, gear pumps for new generation John Deere tractors, high performance gear pump for Case New Holland, gear pumps for Renault's new tractors, Cummins lube pumps and new generation gear pumps with bearing assembly for trucks.

Our products have various applications which include use in agricultural tractors, construction equipments, earth-moving equipments, material handling equipments, mining and drilling equipments and road paving:

- Mechanized Agriculture: Hydraulic gear pumps manufactured by DTL are used in agricultural tractors. We are an Original Equipment Supplier to all major tractor manufacturers in India including Mahindra & Mahindra, Eicher Tractors, Punjab Tractors, Same Deutz-Fahr, Escorts Limited, L&T John Deere, New Holland India, etc.
- Industrial Applications: We enjoy an overwhelming share of the industrial market for hydraulic gear pumps in the country. Our pumps are used in machine tools and various other fluid power systems. The Company's customers include BEML, Godrej & Boyce, HMT, BHEL, Telco, amongst others.
- Application in construction equipments and infrastructure equipments: Our products are used in the earthmoving equipment market. Keeping in mind the country's thrust on infrastructure development, we have developed an entire range of cast-iron body high pressure gear pumps, having application in various earth-moving and material-handling equipments.

We export our products to over 30 countries. Our export segment is growing rapidly with the turnover growing strongly over the past few years. Exports are expected to constitute 15-20% of our Company's turnover, in the next 2 years. Our products are used as original equipments in USA, UK, Canada and South Korea. The Company has developed specific products for use as original equipment in the tractor markets in USA, Germany, Mexico and Turkey.

We have recently acquired the hydraulics unit of Sauer-Danfoss Ltd, UK at Swindon. . This move has provided us with a global sales footprint, as well as a manufacturing facility at the customers' doorstep. We have gained better technologies to support overall business, quick and easy access to European and US markets, new OEM customers and the potential to develop aftermarket business. We have also gained an excellent engineering laboratory with a large amount of intellectual property. . In the early 1970s, we entered into a technical collaboration with Dowty Hydraulic Limited, UK. Dowty has been one of the pioneers of gear pump technologies and we own the Dowty design owing to the technical collaboration. Our recent acquisition at Swindon has made us the owner of the Plessey technology as well. We thus own both the Dowty and Plessey designs under one roof and own the design of every part we make.

Our automotive business

Our automotive business is carried on through a separate division which is located in Chennai. The automotive business of our Company was originally carried on in JKM Daerim Automotive Limited established in 1997, with commercial production commencing in October 1998. JKM Daerim Automotive Limited was a 73: 27 joint venture between DTL-India and Daerim Enterprises- Korea. Subsequently, in January 2007, one of our Promoter Group Companies, Udayant Malhoutra & Company Private Limited purchased the 27% stake of Dae Rim Enterprise Co. In March 2008, DTL merged with itself JKM Daerim Automotive Limited and pursuant to this merger, our Company's automotive business is fully housed within JKM Automotive.

We produce high quality ferrous and non-ferrous critical engine and transmission components for the growing global automobile industry. Some of the major products of JKM Automotive are water pumps, oil pumps, inlet manifolds, rocker arms, exhaust manifold case assemblies fork shifts, compressor housings, delivery pipes, rocker covers, engine brackets and various engine and transmission parts.

We commenced operations by being a single source supplier to Hyundai to its Santro range of cars. The automotive business rapidly grew from the Santro product range and started supplies to Hyundai's mid-size car- Accent. We are a Tier-1 supplier to Major OEMs in India & across the globe and a single source supplier to many of our customers. Our products find applications primarily in the highway segment. Our largest customer in the highway segment is Hyundai Motor India Limited (both domestic and exports). Over the past decade, we have strategically broad-based our customer base. Our other customers in the highway segment include Ford Motor Company (both domestic and exports), Tata Motors, General Motors, Renault and Getrag Ford. We also cater to the after-market segment. Apart from supplying components to the highway segment, we are also present in the off-highway segment and also cater to manufacturers of technology products. Our customers in the off-highway segment include John Deere, Cummins and Simpsons. We cater to Honeywell's domestic and export requirements in the technology segment.

We have undertaken and achieved several product breakthroughs and successes in our automotive business, which include:

- *Highway Segment:* The oil and water combination pump for TATA's NANO project was designed, developed and tested in-house for all functional parameters. The combi-pump was developed to compact space and to deliver cost benefits.
- *Off-Highway Segment:* Our first major endeavor in the off-highway segment was to develop a series of water and oil pumps for Cummins in America and Europe. These pumps have application in high horse power engines for heavy duty applications. JKM Automotive is venturing into the design of water and oil pumps for Cummins.
- *Technology Segment:* Honeywell is the world's largest producers of turbo chargers. We are a single source manufacturer of compressor housings for Honeywell Turbo Technologies India and the preferred supplier for overseas plants in Italy, France and UK. The product is co-designed with Honeywell's international design team. The manufacturing systems for compressor housings at JKM Automotive have been benchmarked against Honeywell Production System, Honeywell's global standards of manufacturing.

We have 180 tooled up CNC machines consisting of vertical machining centers, horizontal machining centers, drill tap centers, turning centers, special purpose machines, assembly presses, leak testing machines and performance test machine (end of line & endurance testing equipment). We have continuously undertaken capacity expansions to cater to the growing business requirements. We have progressed up the value-chain from being a supplier of components to being a supplier of assemblies.

We have received the QS9000 certification in May 2001, the 100ppm certification from Hyundai in October 2004, the TS16949 certification in February 2005, the ISO 14000 and OHSAS 18000 certifications in December 2007 and the FORD Q1 certification in April 2008

Our aerospace business

The aerospace business of our Company is carried on in a separate division in Bangalore. We are a recognized player in the Indian private sector for the development of complex aero structures using aluminum, steel & titanium. We have the largest infrastructure in the private sector. This division is currently headed by Air Cmde. (Retd.) Ravish Malhotra, one of India's two cosmonauts.

The aerospace division was instituted in 1995 and we commenced business in this division by producing hydraulic transmission system for India's T-72 Battle Tanks. These include hydraulic pumps, hydraulic transmission couplings and distribution mechanisms. We have designed the steering control system, turret control system and braking system for Arjun, India's main battle tank.

We manufacture wings, fins, stabiliser, air brakes and related components for a variety of aircraft models. Some of our key projects and products manufactured are:

Projects	**Products**
Lakshya – Pilotless Target Aircraft	Wings and Rear Fuselage
HJT 36- Intermediate Jet Trainer	Ailerons and Flaps
Sukhoi 30 MKI – Fighter Bomber	Vertical Fins, Slats, Cannards, Stabilisers, Air Brakes and Ventral Fins

Lakshya: Under ADE-DRDO's design authority, Dynamatic Aerospace successfully completed development and productions of the first five prototypes of wings and rear fuselages, for which the division received an award for Creative Partnership in 1999. We then successfully completed limited series production of 10 sets of wings and rear fuselages for HAL, Bangalore. All assembly jigs, fixtures and detailed tooling were designed and manufactured by Dynamatic Aerospace.

HJT-36: During 2003, HAL successfully test-flew the prototype Intermediate Jet Trainer, which has been developed at its own R&D center. Under HAL's design authority, we successfully completed development and production of control surfaces for the first two prototype aircraft. All assembly jigs, fixtures and detailed tooling were designed and manufactured in-house. HAL's Aircraft Division rated Dynamatic Aerospace as their Best Vendor for the year 2002-03.

Sukhoi 30 MKI: The production of the Sukhoi 30 MKI fighter aircraft has been recently taken up by HAL under license from Russia. We are building major airframe structures including horizontal stabilizers, canards, ventral fins and slats. These alone would make Dynamatic Aerospace the largest developmental partner in this program.

We were formerly undertaking purely defense assignments in our aerospace division. We have recently forayed into non-defense activities by manufacturing flap track beam assemblies for the A320 Single aisle aircraft family to be delivered through one of the global majors.

We have partnerships with the Ministry of Defence and agencies of national importance like DRDO and HAL. We have long term contracts signed with HAL, and certain global majors. We have teaming agreements with certain global majors for being their offset partners in India

We plan to increase our focus on the aerospace business going forward and undertake capacity expansions in this regard. In this direction, we are in the process of setting up a dedicated manufacturing facility for one of our aerospace clients. We have received the DGAQA approval for in-house processes. We are ISO 9001: 2000 certified and are the first Indian aerospace company to be certified to AS9100 standards for aero-structures. We are the only company in the private sector to be certified by Airbus for supplies (along with our vendors). We have been awarded the "Creative Partner" award for the year 1998-1999 by DRDO, ADE and ASIEO, the "HAL Best Vendor Award" in 2002-03 by HAL's aircraft division and the "Outstanding Vendor Award" in 2008 award by HAL.

Our foundry business

Our foundry business is located in Chennai and is housed in a separate division of the Company. We produce high quality non-ferrous alloy castings for in-house consumption by the hydraulics, automotive and aerospace divisions.

We supply both gravity castings as well as pressure die-castings. Our activities include, alloy making to BS or JIS standards and pressure die-casting to near net shapes. We are capable of executing aluminum gravity die-cast parts with intricate contours. The gravity die-casting facilities meet international ecological standards.

Our Company incorporates the use of latest metallurgical processes with heat treatment processes being designed to ensure castings are made with no inclusions, minimal melting loss and with the effective removal of gas from the metal. We use sophisticated machinery like tiltable gravity die casting machines, holding furnaces, impregnation plant, core shooters, sand core making facilities, leak testing machines and shot blasting machines. We own sophisticated heat treatment facilities where a wide variety of metals and alloys are processed at temperatures ranging from -70^0 C to $+1000^0$ C. Processes include solutionizing and precipitation, carbo-nitriding, case hardening, through hardening, sub zero treatment, stress relieving, spherodized annealing.

Our design business

The design business of our Company is carried out in Bangalore and is housed in a separate division of our Company. The design division is an in-house division providing support to the automotive, hydraulics and aerospace divisions.

Our design division is primarily engaged in design validation and optimization, analysis and prototyping .

Powermetric offers consultancy in the following areas:

- Solid modeling and detailing of product design
- Total system design of the project and integration
- Solution for process and product optimization
- Design standardization and best practice assessment
- Custom based design automation and design template creation
- Solution for concurrent engineering and rapid prototyping
- Analysis of stress, displacements, heat transfer and mechanism
- Legacy data migration
- Reverse engineering with value additions

Various advanced tools in design analysis and several advanced engineering analytical tools viz. FEM & CFD software packages, are gainfully employed at various stages of product development. Powermetric offers design consultancy in mechanical engineering. Apart from concept to product development and analysis, Powermetric undertakes installation and configuring of product design solutions and mapping of manufacturing/testing processes.

The products of the hydraulics, automotive and aerospace divisions are conceived in the design division. The Tiltable Gravity Die Casting machine has been designed, developed and built by the design division and is used extensively by the Foundry division. The Mitral Valve, an essential part of cardiac care was designed by the Powermetric design team as a substitute for the more expensive imported options.

The design division is primarily an in-house division, with other business divisions being the main customers. Our Company, for the first time has forayed into providing design services to a third-party customer. We have forayed into engineering services business and have started providing services to National Super Suction, USA – a world leader in floor cleaning technology with applicatons in offices, airports, commercial places, shopping malls, industries and hospitals. The design team at Powermetric is the extended R&D facility of National Super Suction and will collaborate on new product development, re-design, design validation etc

The design division employs world class engineers with a large bandwidth of skill sets. Design validation and optimization, analysis and prototyping is carried out by a pool of engineers with diverse domain experience in structural, dynamic and thermal engineering.

Our Subsidiaries

Our Company has two subsidiaries (i) JKM Research Farm Limited and (ii) JKM Global Pte. Limited, Singapore. Dynamatic Limited, UK is a step down of subsidiary of JKM Global Pte. Limited.

JKM Research Farm Limited

JKM Research Farm Limited was incorporated as a private limited company in Karnataka under the name and style JKM Sayag Floriculture Private Limited on December 09, 1994. Subsequently, the name was changed to JKM Floriculture Limited in 1996. The said name JKM Floriculture Limited was further changed to JKM Research Farm Limited in 2001.

The main objects of JKM Research Farm Limited on its incorporation are as follows:

(i) To carry on business of floriculturists, agriculturists, horticulturists, cultivator, tillers, nurserymen, husbandsmen, seedsmen, farmers, garderners and raisers of crops, vegetables, plants, roots, creepers, garden plants, grapes, vines, sugarcane, cotton, tea, coffee, cocoa, rubber and to process and to grow, cultivate, plant, product, buy, sell and make marketable, import, export and otherwise deal in floricultural, agricultural, horticultural, sericultural, botanical, agro forestry, farm and garden products, grains, seeds, crops including commercial crops and to set up and run cold storages.

(ii) To carry on the business as agents, representatives, consultants, consulting engineers for setting of turnkey projects relating to floriculture, tissue culture, horticulture and agriculture both in India and abroad.

(iii) To acquire, develop and deal in immovable and movable properties for the purpose of setting up of floricultural, agricultural, horticultural, plantation, agro-forestry, agro-processing projects including cold storage units.

JKM Global Pte Limited (Singapore)

JKM Global Pte Limited (Singapore) was incorporated in Singapore as private company limited by shares in 2005.

The main objects of JKM Global Pte Limited (Singapore) contain inter alia to purchase, establish and carry on business as general merchants, manufacturers, importers, exporters, commission agents, del credere agents, removers, packers, storers, storekeepers, factors and manufacturers of and dealers in foreign and local produce, manufactured goods, materials and general merchandise and to import, buy, prepare, manufacture, render marketable, sell, barter, exchange, pledge, charge, make advances and otherwise deal in or turn to account, produce, goods, materials and merchandise generally in their prepared, manufactured or raw state and to undertake, carry on and execute all kinds of commercial trading and other manufacturing operations or servicing/testing facilities and all business whether wholesale or retail etc.

Dynamatic Limited

Dynamatic Limited was incorporated in 2007 in the United Kingdom. The main objects of Dynamatic Limited contain inter alia is to carry on the business and undertaking of a general commercial company in all respects.

Our Employees

We believe that a well-trained, motivated and satisfied employee base is key to our competitive advantage. As on June 30, 2008, we have employed 1,282 full time employees and also have 52 apprentices and 70 contract labourers on a contract basis. Our Company has an extremely cordial relationship with all its employees and our Company strives on mutual trust created between the employees and the management. The skill sets of our employees give us the flexibility to adapt to the needs of our clients and the technical requirements of the various projects that we undertake. The breakup of our employees across our operations as on June 30, 2008 is provided in the table below:

Employees on payroll	Nos.
Hydraulics	423
Aerospace	212
Automotive	349
Foundry	112
Design	25
Dynamatic Limited, UK	160
JKM Global Pte Ltd.	1
Total	**1,282**

Insurance

Our operations are subject to hazards inherent in providing engineering services, such as risk of equipment failure, work accidents, fire, earthquake, flood and other force majeure events, acts of terrorism and explosions, including hazards that may cause injury and loss of life, severe damage to and the destruction of property and equipment and environmental damage. We may also be subject to claims resulting from defects arising from engineering, procurement or manufacturing provided by us within the warranty periods extended by us.

We generally maintain insurance covering our assets and operations at levels that we believe to be appropriate. Loss or damage to our materials and property, including contract works, whether permanent or temporary, and materials or equipment supplied by us or supplied to us, are generally covered by "contractors' all risks" insurance. We also maintain valid Fire and Special Perils policy, Special Contingency Insurance Policy, Money Insurance Policy, Burglary Standard Policy, Product Liability Insurance, Marine Cargo Open Policy etc.

We also maintain vehicle insurance policies for all of our vehicles and workmen's compensation policies.

Intellectual Property Rights

We have registered the following trademarks/trade names:

Sl No.	Description of the mark	Registration Number
1	*"POWERMETRIC"*	Trade Mark Registration Number: 969245 procured under class 16 for printed matter, publications, Instructional manual etc With effect from: January 15, 2003 Date of Registration: November 9, 2000.
2.	*"DYNAMATIC METARIS"*	Trade Mark Registration Number: 1067580 procured under class 7 for Hydraulic Gear Pumps for excavators loader. With effect from: February 11, 2005. Date of Registration: December 18, 2001.
3	*"DYNAMETAL"*	Trade Mark Registration Number: 810215 procured under class 6 for unwrought or partly wrought common metals and their alloys, rolled and cast building materials, metallic materials, metallurgical products, metallurgical heat treatment processes etc. With effect from: December 29, 2005 Date of Registration : July 15, 1998
4	*"DYNAMATIC AEROSPACE"*	Trade Mark Registration Number: 810216 procured under class 12 in respect of Aerospace products namely airframe structures, wings, fuselages, Aircraft parts including motors and engines, Aircraft, Aircraft support. With effect from: December 29, 2005 Date of Registration: July 15, 1998.

One of the Trademark registration certificate is in the name of its erstwhile subsidiary, *JKM Dae Rim Automotive Ltd.* This trademark was transferred to our Company subsequent to its merger with our Company. However, the registration certificate needs to be amended accordingly.

Sl No.	Description of the mark	Registration Number
1	*JKM DAE RIM*	Trade Mark Registration Number: 1101727 procured under class 12 for Automotive Components With effect from: September 22, 2005 Date of Registration: May 3, 2002

We have also filed the following patent applications which are pending with the Controller of Patents & Designs:

Sl. No.	Description/Particulars	Status
1.	Patent Application Number: 683 / Cal / 2001 filed for testing a control valve Date of filing: December 13, 2001	*Pending*
2.	Patent Application No. 893 / K02 / 2005 for an interlocking device for rigidly holding together Issued on: September 28, 2005	*Pending*
3.	Patent Application Number: 423MAS99 for Hydraulic System for Loading and Unloading a Kiln car into and from a Furnace Date of filing: April 16, 1999	*Date of grant: 08.10.2007 and expires on 16.04.2019*

Research and Development

Our integrated research and development facility - JKM Science Center is involved in material science, new product design and development, production optimization, prototyping and test validation. It was inaugurated on February 28, 2007. Along with out manufacturing capabilities in automotive, hydraulics, aerospace and foundry, the JKM Science Center enables our Company to provide end-to-end solutions built uniquely around our customer's needs. This state-of-the-art facility brings together design engineering, development, prototyping, metallurgical and manufacturing infrastructure under one roof. The JKM Science Center is spread over a built-up area of 40,000 Sq. ft and includes two design laboratories, a material science laboratory, a prototype manufacturing unit and a training center. We have several R&D achievements to our credit, and have been recognized by the Department of Scientific and Industrial Research, Government of India as a "Recognized in-house R&D unit".

Quality

We drive quality initiatives throughout the Company in a systematic manner. We have successfully completed the fourth surveillance audit for ISO 9001 (QMS) and the certification audit for ISO 14001 and Environment Management System (EMS). The Aerospace Division is certified for AS 9100, Rev B and we are the only company in the country to hold this certificate for "the Manufacture of Structural Assemblies, Precision Machined Components and Sheet Metal pressed parts." We have continuously focused on 5S concepts in material handling on the shop floor and this has resulted in enhanced product quality, innovation and cost effectiveness. A booklet on Vendor Quality requirements has been released in Fiscal 2007 to help suppliers in enhancing the quality and systems of operations.

Key agreements

We have provided below the summary of key provisions of agreements entered into by our Company in relation to its acquisitions and strategic investments.

Dae Rim Enterprise Co. Ltd.

On March 28, 1997, our Company entered in to a Joint Venture Agreement with Dae Rim Enterprise Co. Ltd., a corporation duly organized under the laws of Korea and having the principal place of business at 940-30, Yerim-Ri, Jeong Kwan-Myun, Gi Jang Gun, Pusan, Korea, to establish a joint venture company, JKM Dae Rim Automotive Limited. The shareholding in the said joint venture company was held in the proportion 73% and 27% by the Company and Dae Rim Enterprise Co. Ltd. respectively. Subsequently, one of our Promoter Group Companies, Udayant Malhoutra & Company Private Limited purchased the 27% stake of Dae Rim Enterprise Co. Ltd. vide Share Transfer Deed dated January 12, 2007 .

In this regard, JKM Dae Rim Automotive Limited had entered in to a Non-Compete Agreement dated September 15, 2006 with DaeRim Enterprises Co. Limited, Korea. As per the terms of the said Agreement, DaeRim Enterprises Co. Limited or its wholly owned subsidiaries or its affiliates will not compete in any manner directly or indirectly for a period of four years with the business of the Company. An amount of Rs.16,000000/- has been paid as non-compete fee.

Merger of JKM Dae Rim Automotive Limited with our Company

The Board of Directors of our Company at their meeting held on June 08, 2007 approved the scheme of merger of JKM Daerim Automotive Limited with our Company with effect from April 01, 2007. In this regard, our Company filed Company Petition No.98 of 2007 and JKM Daerim Automotive Limited filed Company Petition No.99 of 2007 in the High Court of Karnataka. The High Court of Karnataka passed an order dated January 04, 2008 sanctioning the merger of JKM Daerim Automotive Limited with our Company. As per the sanctioned scheme of merger, every shareholder of JKM Daerim Automotive Limited was issued equity shares of the Company in the ratio 3.5:1. Subsequently, our Company has filed Form No.21 intimating the Registrar of Companies in respect of the High Court Order.

Sauer Danfoss Limited, United Kingdom

Our Company through one of its step down subsidiary, Dynamatic Limited a company registered in England and Wales having its registered office at 4th Floor, 3 Tenterden Street, Hanover Square, London WIS ITD acquired the Hydraulic Business Division (Swindon Unit) of Sauer Danfoss Limited, United Kingdom at a consideration of USD 10 million. In this regard, Dynamatic Limited and Sauer-Danfoss Limited, entered into a Business Sale Agreement dated June 15, 2007.

Pursuant to the aforementioned acquisition, Dynamatic Limited and Sauer Danfoss Limited have executed the following Agreements:

(i) Contract for Purchase of certain fan drive components and pump combinations dated June 15, 2007;
(ii) Contract for the Supply of certain component gear pump parts dated June 15, 2007;
(iii) Transitional Services Agreement dated June 15, 2007;
(iv) Short form Assignment of Patents dated June 15, 2007;
(v) License for use of drawings dated June 15, 2007;
(vi) License for use of patents dated June 15, 2007;
(vii) Deed of Guarantee of Sauer-Danfoss Inc. dated June 15, 2007 relating to the payment obligations, if any of Sauer-Danfoss Limited under the Business Sale Agreement between (i) Sauer Danfoss Limited and (ii) Dynamatic Limited;
(viii) Redundancy Costs Contribution Agreement dated June 15, 2007.

Key Business agreements

We have entered in to a Memorandum of Understanding with one of the global majors concerning offset industrial co-operation in respect of the business of manufacturing air frame structures, precision aerospace components and engineering services. Our Company is manufacturing and supplying various assemblies for the Airbus Single Aisle aircraft programme of one of the global majors from Europe and our Company has entered into a Memorandum of Understanding on September 12, 2007 in this regard.

We have entered in to a Memorandum of Agreement dated February 19, 2008 with one of the global majors, such global major if selected as the supplier for the Long Range Maritime Reconnaissance and Anti Submarine Warfare Aircraft, will be required to satisfy the offset obligations in India and the global major commits to the placement of work packages up to $82M USD over the life of the program which has an estimated period of performance of 2009-2017 subject to the conditions contained therein

In addition to above agreements, we have entered into the following key agreements.

GKN Aerospace Services-Structures Yeovil (GKNASSY)

Our Company is supplying sheet metal form parts and sub-assemblies to GKN Aerospace Services-Structures Yeovil, having its principal place of business at Lysander Road, YEOVIL, Somerset, BA20 2YB, England based on the Purchase Orders issued by GKNASSY from time to time. Some of the important terms of the said Purchase Orders are as follows:

- Supply of items to GKNASSY under the Purchase Orders must be processed in accordance with the current Westland Augusta scope of approval and as listed on WHL Engineering Standards internet site. (http://www.engstand.gkn-whl.co.uk)
- Items supplied to GKNASSY shall be released in accordance with GKNASSY MASQA (Model for Aerospace Supplier Quality Assurance)
- In the event of our Company failing to deliver all or any of the supplies strictly in accordance with the delivery dates set out or referred to in the relevant Purchase Order, our Company may have to pay GKNASSY such liquidated damages as mentioned in the relevant Purchase Order.
- GKNASSY has right to access our premises to ensure that the manufacturing facilities, approvals and capabilities are adequate.

Gardner Aerospace – IIkeston Limited

Our Company is supplying sheet metal form parts and sub-assemblies to Gardner Aerospace – IIkeston Limited, having its office at Cotmanhay Road, Cotmanhay IIKeston, Derbyshire, based on the Purchase Orders issued from time to time.

Hindustan Aeronautics Limited, Aircraft Division, Nashik (HAL)

Our Company is supplying the assembly work package for SU 30 to HAL under the Purchase Order dated Ref: DTL/HAL/NK/FIN/218/2004-2005 dated 23/01/2007. Important terms and conditions of the said Purchase Order are as follows:

- Payment terms includes stages of payment
- Transit insurance against HAL open policy and comprehensive insurance to be done by our Company for the value of tooling and raw material supplied by HAL and will be reimbursed by HAL limiting to Rs.15,000/- per set.
- Delivery schedule as per mutually agreed schedule
- Liquidated damages: 0.5% per week subject to maximum of 12.5% will be applicable. Grace period of two months for the first set and one month for subsequent sets as per the agreed delivery schedule.
- Supporting Bank guarantees and Indemnity Bond to be submitted to HAL.

Aircelle chez Daher

Our Company is supplying machine and sheet metal parts to Aircelle chez Daher, having its office at Parc d'actvities du Pont de Normand, 76700 Rogerville, France on a Purchase Order basis. Key terms of Purchase Order are as follows:

- Purchase Order is governed by General Quality Requirements QA-000725 and BQR0003
- Any part which is not in accordance with required definition or which does not respect the quality requirements will be refused by Aircelle.
- All supplies shall be accompanied by a delivery slip affixed to the outer packaging with certain requisite information
- Should the execution of any supply is delayed, Aircelle reserves the right to apply late penalties equivalent to 0.5% of the price of the order for each calendar day of the delay, 1% thereafter with a maximum of 15% of the price of the order.
- Warranty: Should the supply not comply with the specifications, our Company shall be obliged to (i) repair, replace or correct (ii) reimburse Aircelle of the price

- Industrial and Intellectual Property: Our Company shall be obliged to indemnify Aircelle against all consequences of intellectual property claims of third parties.
- Compliance with all applicable laws
- Our Company to maintain adequate insurance
- To maintain confidentiality of the details of the contract.
- No assignment or transfer or sub-contracting of the work under the Purchase Order without Aircelle's consent.
- The said Purchase Orders are governed and construed by the laws of France.

Cobham PLC

Our Company is supplying structures, pylons and other assemblies to Cobham PLC as per the Memorandum of Understanding entered in to between Cobham PLC and its Air Refuelling & Auxiliary Equipment division acting through Flight Refuelling Ltd., having its offices at Brook Rd, Wimborne, Dorset, BH21 2BJ UK.

Northrop Grumman Overseas Service Corporation

Our Company and Northrop Grumman Overseas Service Corporation, a Delaware corporation with its offices at Linthicum, Maryland, USA have entered in to a Memorandum of Understanding dated February 08, 2007 wherein the parties desire to explore the feasibility of teaming with each other so as to offer potential customers products which take advantage of their respective technologies, experience and expertise.

Magellan Aerospace Limited

Magellan Aerospace Limited, having its office at Mississauga, Ontario, Manitoba, Canada and our Company had entered in to a Data Exchange and Non-Disclosure Agreement dated May 25, 2007.

Elbe Flugzeugwerke GmbH

Our Company and Elbe Flugzeugwerke GmbH, having its office at Grenzstrasse 1, D-01109 Dresden, Germany entered in to a Confidentiality and Non-Disclosure Agreement dated July 25, 2007.

Vendors/Suppliers of our Company

We have not entered in to any formal agreements with its various vendors and suppliers and are working on a purchase order basis. Some of the important terms and conditions of our Purchase Order as follows:

- Purchase/subcontracts is valid only on acceptance of the samples to be approved by our Company in writing
- No upward revision of price will be permitted during the period of contract unless agreed by us.
- Decisions by our Company shall be final and binding on the Vendor in case of rejections.
- Vendor warrants to provide free replacement of components, assemblies if they fail because of manufacturing defects during the Warranty period.
- Civil courts at Bangalore shall have the jurisdiction to try any dispute concerning all our Purchase/Job Orders.

Distributors

We have over 50 distributors all over India for distributing industrial and tractor pumps. However, we have not entered in to any kind of formal arrangements with our distributors.

REGULATIONS AND POLICIES

The following description is a summary of the relevant regulations and policies as prescribed by the central and state governments that are applicable to us. The information detailed in this section has been obtained from publications available in the public domain. The regulations set out below are not exhaustive, and are only intended to provide general information to the investors and are neither designed nor intended to be a substitute for professional legal advice.

The following paragraphs detail the major legislations applicable to our business in India.

Environmental and Labour Regulations

Depending upon the nature of the projects undertaken by our Company, applicable environmental and labour laws and regulations include the following:

- Industrial Disputes Act, 1947
- Factories Act, 1948;
- Contract Labour (Regulation and Abolition) Act, 1970;
- Payment of Wages Act, 1936;
- Payment of Bonus Act, 1965;
- Employees' State Insurance Act, 1948;
- Employees' Provident Funds and Miscellaneous Provisions Act, 1952;
- Payment of Gratuity Act, 1972;
- Minimum Wages Act, 1948;
- Workmen's Compensation Act, 1923
- Trade Unions Act, 1926
- Shops and Commercial Establishments Acts, where applicable;
- Environment Protection Act, 1986 and Environment (Protection) Rules, 1986;
- Water (Prevention and Control of Pollution) Act, 1974;
- Air (Prevention and Control of Pollution) Act, 1981;
- Hazardous Waste (Management and Handling) Rules, 1989; and
- Manufacture, Storage And Import of Hazardous Chemicals Rules, 1989.
- Foreign Exchange Management Act, 1999
- Fiscal Laws- Excise Regulations, Value Added Tax, Income Tax Act
- Miscellaneous Legislations- Trademarks Act, 1999 and the Patents Act, 1970

A brief description of certain legislations is set forth below:

Industrial Disputes Act, 1947

The Industrial Disputes Act, 1947 is the main legislation for investigation and settlement of all industrial disputes. The Act enumerates the contingencies when a strike or lock-out can be lawfully resorted to, when they can be declared illegal or unlawful, conditions for laying off, retrenching, discharging or dismissing a workman, circumstances under which an industrial unit can be closed down and several other matters related to industrial employees and employers.

According to the Industrial Disputes Act, 1947, the term 'industrial dispute' means "any dispute or difference between employers and employers, or between employers and workmen, or between workmen and workmen, which is connected with the employment or non-employment, or the terms of employment or with the conditions of labour, of any person".

The basic objectives of the Industrial Disputes Act, 1947are:-

- To provide a suitable machinery for the just, equitable and peaceful settlement of industrial disputes.
- To promote measures for securing and preserving amity and good relations between employers and employees.
- To prevent illegal strikes and lockouts.
- To provide relief to workers against layoffs, retrenchment, wrongful dismissal and victimisation.

- To promote collective bargaining.
- To ameliorate the conditions of workers.
- To avoid unfair labour practices.

The above act provides for the statutory machinery for conciliation and adjudication of industrial disputes such as conciliation officers, a board of conciliation, couts of inquiry, labour courts, industrial tribunals, etc

Factories Act, 1948

The Factories Act, 1948, as amended (the "Factories Act"), defines a 'factory' to be any premises on which on any day in the previous 12 months, 10 or more workers are or were working and on which a manufacturing process is being carried on or is ordinarily carried on with the aid of power; or at least 20 workers are or were working on any day in the preceding 12 months and on which a manufacturing process is being carried on or is ordinarily carried on without the aid of power. State governments prescribe rules with respect to the prior submission of plans, their approval for the establishment of factories and the registration and licensing of factories.

The Factories Act provides that the 'occupier' of a factory (defined as the person who has ultimate control over the affairs of the factory and in the case of a company, any one of the directors) shall ensure the health, safety and welfare of all workers while they are at work in the factory, especially in respect of safety and proper maintenance of the factory such that it does not pose health risks, the safe use, handling, storage and transport of factory articles and substances, provision of adequate instruction, training and supervision to ensure workers' health and safety, cleanliness and safe working conditions.

If there is a contravention of any of the provisions of the Factories Act or the rules framed thereunder, the occupier and manager of the factory may be punished with imprisonment for a term of up to two years or with a fine up to Rs. 100,000 or with both, and in case of contravention continuing after conviction, with a fine of up to Rs. 1,000 per day of contravention. In case of a contravention which results in an accident causing death or serious bodily injury, the fine shall not be less than Rs. 25,000 in the case of an accident causing death, and Rs. 5,000 in the case of an accident causing serious bodily injury.

Contract Labour (Regulation and Abolition) Act, 1970

The Contract Labour (Regulation and Abolition) Act, 1970, as amended (the "CLRA"), requires establishments that employ or have employed on any day in the previous 12 months, 20 or more workmen as contract labour to be registered and prescribes certain obligations with respect to the welfare and health of contract labour.

The CLRA requires the principal employer of an establishment to which the CLRA applies to make an application to the registering officer in the prescribed manner for registration of the establishment. In the absence of registration, contract labour cannot be employed in the establishment. Likewise, every contractor to whom the CLRA applies is required to obtain a licence and not to undertake or execute any work through contract labour except under and in accordance with the licence issued.

To ensure the welfare and health of the contract labour, the CLRA imposes certain obligations on the contractor including the establishment of canteens, rest rooms, drinking water, washing facilities, first aid facilities, other facilities and payment of wages. However, in the event the contractor fails to provide these amenities, the principal employer is under an obligation to provide these facilities within a prescribed time period. Penalties, including both fines and imprisonment, may be imposed for contravention of the provisions of the CLRA.

Minimum Wages Act, 1948

State governments may stipulate the minimum wages applicable to a particular industry. The minimum wages may consist of a basic rate of wages and a special allowance; or a basic rate of wages and the cash value of the concessions in respect of supplies of essential commodities; or an all-inclusive rate allowing for the basic rate, the cost of living allowance and the cash value of the concessions, if any. Workmen are to be paid for overtime at overtime rates stipulated by the appropriate government.

Contravention of the provisions of this legislation may result in imprisonment for a term up to six months or a fine up to Rs. 500 or both.

Workmen's Compensation Act, 1923

The Workmen's Compensation Act, 1923 ("***WCA***") has been enacted with the objective to provide for the payment of compensation to workmen by employers for injuries by accident arising out of and in the course of employment, and for occupational diseases resulting in death or disablement. The WCA makes every employer liable to pay compensation in accordance with the WCA if a personal injury/disablement/loss of life is caused to a workman (including those employed through a contractor) by accident arising out of and in the course of his employment. In case the employer fails to pay compensation due under the WCA within one month from the date it falls due, the commissioner appointed under the WCA may direct the employer to pay the compensation amount along with interest and may also impose a penalty.

Payment of Bonus Act, 1965

Pursuant to the Payment of Bonus Act, 1965, as amended (the "Bonus Act"), an employee in a factory or in any establishment where 20 or more persons are employed on any day during an accounting year, who has worked for at least 30 working days in a year is eligible to be paid a bonus.

Contravention of the provisions of the Bonus Act by a company is punishable with imprisonment for a term of up to six months or a fine of up to Rs. 1,000 or both, against persons in charge of, and responsible to our Company for the conduct of the business of our Company at the time of contravention.

Payment of Gratuity Act, 1972

Under the Payment of Gratuity Act, 1972, as amended (the "Gratuity Act"), an employee who has been in continuous service for a period of five years will be eligible for gratuity upon his retirement or resignation, superannuation or death or disablement due to accident or disease. However, the entitlement to gratuity in the event of death or disablement will not be contingent upon an employee having completed five years of continuous service. The maximum amount of gratuity payable may not exceed Rs. 350,000.

An employee in a factory is said to be 'in continuous service' for a certain period notwithstanding that his service has been interrupted during that period by sickness, accident, leave, absence without leave, lay-off, strike, lock-out or cessation of work not due to the fault of the employee. The employee is also deemed to be in continuous service if the employee has worked (in an establishment that works for at least six days in a week) for at least 240 days in a period of 12 months or 120 days in a period of six months immediately preceding the date of reckoning.

Employees State Insurance Act, 1948

The Employees State Insurance Act, 1948 (the "ESI Act") provides for certain benefits to employees in case of sickness, maternity and employment injury. All employees in establishments covered by the ESI Act are required to be insured, with an obligation imposed on the employer to make certain contributions in relation thereto. In addition, the employer is also required to register itself under the ESI Act and maintain prescribed records and registers.

Employees Provident Fund and Miscellaneous Provisions Act, 1952

The Employees Provident Fund and Miscellaneous Provisions Act, 1952 (the "EPF Act") provides for the institution of compulsory provident fund, pension fund and deposit linked insurance funds for the benefit of employees in factories and other establishments. A liability is placed both on the employer and the employee to make certain contributions to the funds mentioned above.

Trade Unions Act, 1929

The legislation regulating these trade unions is the Indian Trade Unions Act, 1926. The Act deals with the registration of trade unions, their rights, their liabilities and responsibilities as well as ensures that their funds are utilised properly. It gives legal and corporate status to the registered trade unions. It also seeks to protect them from civil or criminal prosecution so that they could carry on their legitimate activities for the benefit of the working class. The Act is applicable not only to the union of workers but also to the association of employers.

According to the Trade Unions Act, 1926, 'trade union' means "any combination, whether temporary or permanent, formed primarily for the purpose of regulating the relations between workmen and employers or between workmen and workmen or between employers and employers, or for imposing restrictive conditions on the conduct of any trade or business, and includes any federation of two or more trade unions.

The registered trade unions are required to submit annual statutory returns to the Registrar regarding their membership, general funds, sources of income and items of expenditure and details of their assets and liabilities, etc

Applicable Shops and Commercial Establishments Acts

The Shops and Commercial Establishments Acts enacted by each state provide for the regulation of the conditions of work and employment in shops and commercial establishments such as leaves, holidays, working hours etc.

Environment Regulation

Infrastructure projects must also ensure compliance with environmental legislation such as the Water (Prevention and Control of Pollution) Act 1974 (Water Pollution Act), the Air (Prevention and Control of Pollution) Act, 1981 (Air Pollution Act) and the Environment Protection Act, 1986 (Environment Act).

The Water Pollution Act aims to prevent and control water pollution. This legislation provides for the constitution of a Central Pollution Control Board and State Pollution Control Boards. The functions of the Central Board include coordination of activities of the State Boards, collecting data relating to water pollution and the measures for the prevention and control of water pollution and prescription of standards for streams or wells. The State Pollution Control Boards are responsible for the planning for programmes for prevention and control of pollution of streams and wells, collecting and disseminating information relating to water pollution and its prevention and control; inspection of sewage or trade effluents, works and plants for their treatment and to review the specifications and data relating to plants set up for treatment and purification of water; laying down or annulling the effluent standards for trade effluents and for the quality of the receiving waters; and laying down standards for treatment of trade effluents to be discharged. This legislation debars any person from establishing any industry, operation or process or any treatment and disposal system, which is likely to discharge trade effluent into a stream, well or sewer without taking prior consent of the State Pollution Control Board.

The Central and State Pollution Control Boards constituted under the Water Pollution Act are also to perform functions as per the Air Pollution Act for the prevention and control of air pollution. The Air Pollution Act aims for the prevention, control and abatement of air pollution. It is mandated under this Act that no person can, without the previous consent of the State Board, establish or operate any industrial plant in an air pollution control area.

The Environment Act has been enacted for the protection and improvement of the environment. The Act empowers the central government to take measures to protect and improve the environment such as by laying down standards for emission or discharge of pollutants, providing for restrictions regarding areas where industries may operate and so on. The central government may make rules for regulating environmental pollution.

With respect to forest conservation, the Forest (Conservation) Act, 1980 prevents state governments from making any order directing that any forest land be used for a non-forest purpose or that any forest land is assigned through lease or otherwise to any private person or corporation not owned or controlled by the Government without the approval of the central government. The Ministry of Environment and Forests mandates that Environment Impact Assessment (EIA) must be conducted for projects. In the process, the Ministry receives proposals for the setting up of projects and assesses their impact on the environment before granting clearances to the projects.

Hazardous Waste (Management & Handling) Rules, 1989

The Government of India promulgated the Hazardous Waste (Management & Handling) Rules, 1989 through the Ministry of Environment and Forests (MOEF) under the aegis of Environment (Protection) Act 1986. The objective of Hazardous Waste (Management and Handling) Rules is to control the generation, collection, treatment, import, storage, and handling of hazardous waste. Under the Hazardous Waste (Management and Handling) Rules, hazardous wastes are divided into 18 different categories, such as metal finishing wastes, Waste containing water soluble chemical compounds of lead, copper, zinc, chromium, nickel, selenium, barium and antimony, Wastes from paints, pigments, glue, varnish, printing ink, etc. The Rules further detail the role and responsibilities of the waste generators, state/central pollution controls boards and state Government.

Manufacture, Storage And Import of Hazardous Chemicals Rules, 1989.

The Government of India promulgated the Manufacture, Storage And Import of Hazardous Chemicals Rules, 1989. through the Ministry of Environment and Forests (MOEF) under the aegis of Environment (Protection) Act 1986. The objective of the Rules is to control and regulate the transport, storage and utilisation of hazardous chemicals in an industrial undertaking

Foreign Exchange Management Act, 1999

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991 of the Government of India and Foreign Exchange Management Act, 1999 (FEMA). The FEMA is the primary exchange control law in India and must be complied with by any foreign investor with regard to its entry and operations in India. While the Industrial Policy, 1991 prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of the Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment.

The transfer of Equity Shares of NRIs, FIIs, and Foreign Venture Capital Investors registered with SEBI and Multilateral and Bilateral Development Financial institutions shall be subject to the conditions as may be prescribed by the Government of India or RBI while granting such approvals.

Investment by FIIs

By way of Circular No. 53 dated December 17, 2003, RBI has permitted FIIs to subscribe to shares of an Indian company in a public offer without prior RBI approval, so long as the price of Equity shares to be issued is not less than the price at which Equity shares are issued to residents. The foreign exchange regulations stipulate that the aggregate foreign institutional investor's/ FII's holding in a company cannot exceed 24% of the total issued capital. However, with the approval of the Board of Directors and the shareholders by way of a special resolution, the aggregate FII holding in a company can be increased up to sectoral caps/statutory ceilings prescribed for the company.

As per the current regulations, the following restrictions are applicable for investments by FIIs:

No single FII can hold more than 10% of the post-issue paid-up capital of a company. In respect of an FII investing in Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 5% of total issued capital of a company in case such sub account is a foreign corporate or an individual.

Fiscal Laws

Excise Regulations

The Central Excise Act, 1944 seeks to impose an excise duty on excisable goods which are produced or manufactured in India. The rate at which such a duty is imposed is contained in the Central Excise Tariff Act, 1985. However, the Indian Government has the power to exempt certain specified goods from excise duty by notification.

Value Added Tax

VAT levies is administered by applicable Value Added Tax legislations and rules thereunder. VAT is a multi-stage tax levied at each stage of the value addition chain, with a provision to allow input tax credit on tax paid at an earlier stage, which can be appropriated against the VAT liability on subsequent sale. Only the value addition in the hands of each of the entities is subject to tax.

Income Tax

In addition to prescribing regulations for computation of tax liability on income, the Income Tax Act provides that any company deducting tax must apply to the assessing officer for the allotment of a tax deduction account number. Furthermore, the legislation requires every taxpayer to apply to the assessing officer for a permanent account number.

Miscellaneous Legislations

Trade Marks Act, 1999

The Indian law on trademarks is enshrined in the Trade Marks Act, 1999. Under the existing legislation, a trademark is a mark used in relation to goods so as to indicate a connection in the course of trade between the goods and some person having the right as proprietor to use the mark. A 'mark' may consist of a word or invented word, signature, device, letter, numeral, brand, heading, label, name written in a particular style and so forth. The trademark once applied for, is advertised in the trademarks journal, oppositions, if any are invited and after satisfactory adjudications of the same, a certificate of registration is issued. The right to use the mark can be exercised either by the registered proprietor or a registered user. The present term of registration of a trademark is ten years, which may be renewed for similar periods on payment of prescribed renewal fee.

Patents Act, 1970

The Patents Act, 1970 ("**Patents Act**") is the primary legislation governing patent protection in India. In addition to broadly requiring that an invention satisfy the requirements of novelty, utility and non obviousness in order for it to avail patent protection, the Patents Act further provides that patent protection may not be granted to certain specified types of inventions and materials even if they satisfy the above criteria. The term of a patent granted under the Patents Act is for a period of twenty years from the date of filing of application for the patent.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Our corporate governance bodies comprise of the Board of Directors, the Audit Committee, the Leadership, HRD & Remuneration Committee, the Shareholders' Committee and Technical Development Committee.

The Board of Directors represents the interests of shareholders and is responsible for our general management and approves our strategic and operational plans. The Board of Directors also has the overall responsibility for the administration of our day-to-day activities.

As per our Articles of Association, our Board shall consist of not less than three Directors and not more than twelve. Of this not less than two thirds of the total number of Directors of our Company shall be persons whose period of office is liable to determination by retirement of Directors by rotation. We currently have 11 (Eleven) Directors. The minimum and maximum number of Directors may be increased or decreased by an ordinary resolution of our Company's shareholders, subject to the provisions of our Company's Articles of Association and the Companies Act.

BOARD OF DIRECTORS

The Board of Directors has the ultimate responsibility for the management and administration of our affairs, unless otherwise directed by the Articles of Association, or Indian law. The following persons constitute our Board of Directors:

Sl. No.	Name	Designation
1.	Mr. Vijai Kapur	Chairman and Independent Director
2.	Mr. Udayant Malhoutra	Chief Executive Officer & Managing Director
3.	Dr. K. Aprameyan	Independent Director
4.	Air Chief Marshal S. Krishnaswamy (Retd)	Independent Director
5.	Ms. Shanthi Ekambaram	Independent Director
6.	Mr. Raymond K. Lawton	Non - Independent Director
7.	Mr. N. Rajagopal	Whole-time Director
8.	M. V. Sunder	Whole-time Director
9.	Mr. B. Seshnath	Whole-time Director*
10.	Ms. Malavika Jayaram	Independent Director**
11.	Mr. Govind Mirchandani	Independent Director**

*appointed as whole time director in the board meeting dated March 25, 2008, however, the appointment is yet to be confirmed in the general meeting.

**appointed as Additional Directors in the board meeting dated June 27, 2008, however, the appointment is yet to be confirmed in the general meeting.

The business address of all our Directors is: Dynamatic Park, Peenya, Bangalore-560 058.

BRIEF BIOGRAPHY OF OUR DIRECTORS

Vijai Kapur, Vijai Kapur, aged 77 years, is a Former Dy. Managing Director, GKW Limited and past President of AIEI (now called CII). He has been the Director of our Company since1992. He possesses rich business and managerial experience. He is the Chairman of the Board and Audit Committee. He is also a member of Leadership, HRD & Remuneration Committee of our Company.

Udayant Malhoutra, aged 42, is an industrialist, Member of the Board of Governors, IIT Kanpur (1997-2001), Chairman, CII National Council (2001-2002) President, Fluid Power Society of India, (2004-06). He is working as Executive Director of our Company since 1989. Udayant, as Chief Executive Officer & Managing Director, is responsible for overall corporate strategy, brand equity, maintenance of key relationships, technology management and achieving the annual business Plan of our Company and its subsidiaries. He is also responsible for leading our Company's senior management in transforming our Company into a world class design and manufacturing organization.

Dr. K. Aprameyan, Aged 65 years, has been a Director of our Company since 2003. Dr. Aprameyan is a post graduate in automobile engineering from the Indian Institute of Science (IISc), Bangalore, and has obtained his doctorate in the field of internal combustion engines from Paris University, France. He has held various senior positions and was the chairman and managing director of Bharat Earth Movers Limited (BEML) from 1995 till his retirement in December 2002. Dr. K. Aprameyan was instrumental in BEML emerging as a major player in diverse areas ranging from earth moving equipment to railways to defence, robotics and automation. He has served on several committees like Fluid Power Society of India (as Vice President), Indian Earth Moving and Construction Industries Association (Chairman, IECIAL), etc. He is a former member of the Governing Council of Institute of Robotics and Intelligence Systems (IRIS) and a member of selection committees of Indian Institute of Technology (IIT), Kanpur.

Air Chief Marshal S. Krishnaswamy (Retd.), aged 65 years, joined the Indian Air Force as an under graduate. He had a very distinguished career in the Indian Air Force and has held several senior positions, culminating in his appointment as the Chief of the Air Staff of the IAF from 2001 to his retirement on 31st December 2004. At the time of retirement, he was the Chairman of the Chiefs' of Staff Committee. During his service, he received various medals such as the AVSM, PVSM, VM, a bar to VM for his outstanding contributions and obtained a post graduate degree in military science. In August 1999, he received the Agni Award for Excellence in Self Reliance-1998 from the Prime Minister for having made outstanding technical and operational contributions to the design, development and evaluation of indigenous combat aircraft, armament and EW systems while working closely with DRDO for many years. Air Chief Marshal S. Krishnaswamy (Retd.) has been a Director of our Company since 2005. He is the Chairman of the Leadership, HRD & Remuneration and Shareholders' Committee and also a member of Technical Development Committee and Audit Committee of our Company.

Shanti Ekambaram, Aged 45 years, is a commerce graduate from Sydenham College, Mumbai. She is a member of the Institute of Chartered Accountants of India (ICAI) and the Institute of Cost and Works Accountants of India (ICWAI). Prior to her tenure at Kotak, she worked with the Bank of Nova Scotia and the Canadian International Bank where she handled corporate banking and treasury products. Shanti Ekambaram has been with the Kotak group for more than a decade. She has rich and varied experience in capital markets, corporate banking and treasury management. She has spent over 17 years servicing the Indian wholesale customers and enjoys strong relationships with India's leading corporates and institutions. Shanti Ekambaram currently heads the wholesale banking business for the Kotak Group and is responsible for ensuring delivery of comprehensive financial solutions to leading Indian corporations, banks, institutions, public sector undertakings, multinationals and the Government of India. Shanti Ekambaram took over her current responsibilities in September 2002, prior to which she was the Executive Director and CEO of Kotak Mahindra Capital Company Limited, the investment banking arm of the Kotak Mahindra Group and one of the leading investment banks in the country. She was responsible for the company's business and operations especially in the equities market (IPO's, Private/ Strategic equity), mergers and acquisitions, fixed income schemes, project syndication & advisory & the proprietary fixed Income government securities business. She has joined our Company in the year 2006. She is also a member of Audit Committee of our Company.

Raymond Lawton, aged 55 years old, graduated in Higher National Diploma in both Mechanical and Production engineering in 1973. He was awarded Management Fellowship in 1981. During the year 2006-07, our Company acquired the Hydraulic Business unit of Sauer Danfoss Ltd., UK at Swindon. Mr. Lawton was the Chairman and Managing Director of Sauer Danfoss Ltd, Swindon since 2004. He started his career 1969 as a Mechanical Engineering apprentice in Plessey Hydraulics Limited and became a Jr. Planning Engineer in 1973. He has held various positions in his career which spans over 3 decades and progressed steadily to become the Plant manager of Sauer Danfoss in 2003. Raymond Lawton became the Executive Chairman of Sauer Danfoss, Swindon in 2004. He is currently Executive Director & Chief Operating Officer, Dynamatic Limited, UK, a 100% subsidiary of our Company. Raymond Lawton has been instrumental in transforming the facility in Swindon from a conventional manufacturing plant in to a modern high quality manufacturing company by introducing modern manufacturing methods and techniques. During his career in Sauer Danfoss he was responsible for the setting up and installation of two Greenfield manufacturing plants, both of which are running successfully. He is also a member of Audit Committee and Technology Development Committee of our Company.

N. Rajagopal, Aged 59 years is a Mechanical Engineer with over three decades of rich, comprehensive experience in engineering. He has served our Company in various capacities since 1980 and has competently managed various operative functions of our Company such as production, materials, design and development, etc. He has been a Director of our Company since, 2002. He was a former Director at JKM Daerim Automotive Limited prior to its merger with our Company. He is managing the entire business cycle of the operating business units, Dynamatic Hydraulics & Dynametal in order to achieve corporate objectives and the Annual Business Plan. This includes manufacturing, procurement, marketing and finance. He is currently a member of Technical Development Committee of our Company.

V. Sunder, Aged 46 years, is a Senior Member of the Institute of Company Secretaries of India. He has served as the CEO & Executive Director of JKM Dae Rim Automotive Company Limited, for the past five years prior to its merger with our Company. During his tenure, our Company grew manifold in terms of Sales and Profitability and Acquisition of new customers. He has served our Company for the past eleven years in various senior management positions, prior to his appointment as CEO & Executive Director of JKM Dae Rim Automotive Company Limited. Prior to taking charge as Executive Director of JKM Dae Rim Automotive Company Limited, he was the General Manager- Corporate Planning & Company Secretary of our Company. Sunder as President & Gr. CFO, heads corporate functioning of finance and works along with Udayant Malhoutra, CEO & Managing Director in planning & driving corporate strategy.

Mr. B. Seshnath , Aged 50 years, is a Mechanical Engineer with an MBA from the Indian Institute of Management, Bangalore. He has two decades of marketing experience in the Automotive, Pneumatic and Hydraulic Industries, having worked in different parts of India in senior management positions. His managerial abilities have enabled our Company to considerably develop its network of branch offices and distributors, which has in turn resulted in the expansion of the Company’s operations in India and abroad. Prior to JKM Dae Rim Automotive Limited’s merger with our Company, he worked as an Executive Director & Chief Operating Officer of JKM Dae Rim Automotive Limited, erstwhile Subsidiary of the our Company, for the last 2 years. Consequent to merger of JKM Daerim Automotive Limited with the Company, he has been appointed as ED & Chief Marketing Officer of the Company with effect from 21st February, 2008.

Malavika Jayaram, Aged 36, is a lawyer and has completed her integrated BA-LLB degree in 1994 from the National Law School of India, Bangalore in the year 1994. She pursued her Masters Degree of Law from Northwestern University, Chicago, and specialized in the field of Computer Law, Intellectual Property Rights, International Business Transactions and EU Law. She is also a qualified as a UK solicitor. At present Malavika is a partner in Jayaram & Jayaram since August 2006 and has experience in various fields of law including drafting of software and e-commerce contracts, outsourcing, intellectual property aspects of joint ventures, mergers and disposals, trading and banking related contracts. Prior to joining as a partner in Jayram & Jayram, she has worked with the in-house technology law team of Barclays Capital and has assisted them with certain special issues related to investment banking and technology. Malavika has also worked with Citigroup, Investment Banking division as a Vice President in the Technology Legal Team and also as a Senior Business Analyst within the project office of the Operations.

Govind Mirchandani, Aged 57, is a reputed businessman and has completed his Degree in Bachelor of Technology from Indian Institute of Technology, Mumbai. He pursued his PGDM from Indian Institute of Management, Kolkatta . He has specialized in the areas which include Business Leadership, Building High Performance Organisations, Brands and Retail Management. He had a very distinguished career and also has held various senior positions in various industries for over three decades. He has worked as a Executive Director & CEO in Reid and Taylor, Director in BrandHouse Retails Limited, CEO & Director, Arvind Brands Limited, President of the Denim division, Arvind Mills Limited, President & CEO of Personality Limited, General Manager in Shalimar Paints Limited, Business Head, Interlinings division, Madura Coats Limited. He was also responsible for launching Arvind Denim in India in 1987 and also several other international and domestic brands in India for e.g. Arrow, Lee, Wrangler, Excalibur, Newport, Reid & Taylor, Belmonte, Stephens Brothers etc. He has won several IMAGES

Awards and also a recipient of the coveted Bharat Vikas Award for outstanding contribution to the field of management and the Indira Super Achiever Award. Govind has been the past Chairman of YPO Bangalore Chapter and the National Vice President, Indo – American Chamber Of Commerce.

COMPENSATION AND BENEFITS IN KIND GRANTED TO THE DIRECTORS

Mr. Udayant Malhoutra- Chief Executive Officer & Managing Director

Mr. Udayant Malhoutra was re-appointed as the President & Managing Director for a further period of five years with effect from October 01, 2004 which was approved by the shareholders of our Company in the Annual General Meeting held on August 30, 2004. Subsequently, he was re-designated as the CEO & Managing Director with effect from August 24, 2006 which was also approved by the shareholders of our Company in the Annual General Meeting held on September 16, 2006. The shareholders authorized the Board of Directors to increase the remuneration of Mr. Udayant Malhoutra subject to limits specified under Schedule XIII to the Companies Act and the terms of remuneration of Mr. Udayant Malhoutra are amended with effect from August 24, 2007 as follows:

(a) Salary:

In the range of Rs.1,000,000/- to Rs.5,000,000/- per annum (with such annual/special increments within the aforesaid range as may be decided by the Board or any Committee thereof, in its absolute discretion from time to time

(b) Perquisites

Category A

i. Housing: The Company will provide unfurnished accommodation subject to the condition that the expenditure by the Company on hiring such accommodation will not exceed one month's Basic salary.
ii. Medical Reimbursement: Medical expenses will be paid by the Company for Mr. Udayant Malhoutra and his family, viz. wife, dependent children and dependent parents subject to a ceiling of one month's basic salary in a year.
iii. Leave Travel Concession: Mr. Udayant Malhoutra will be paid the expenses incurred on actual basis, subject to a ceiling of one month's basic salary in a year in accordance with the rules of the Company for himself, his wife, dependent children and dependent parents.
iv. Club: Will be paid fees of clubs subject to a maximum of two clubs, which will not include admission and life membership fees.

Category B

i. Provident Fund: He will be entitled to the Company's contributions to PF as per prevailing rules
ii. Gratuity: Shall be paid as per the provisions of the Payment of Gratuity Act

Category C

Telephone: He will be provided with a telephone at his residence for the purpose of the Company's business.

Allowances: A special allowance not exceeding Rs.500,000/- per annum will be paid.

Performance Incentive: As decided by the Leadership, HRD & Remuneration Committee.

Mr. N. Rajagopal- Whole-time Director and ED & COO

Mr. N. Rajagopal was re-appointed as a Whole-time Director (designated as ED & COO) of our Company with effect from August 24, 2006 for a period of three years which was approved by the shareholders of our Company in the Annual General Meeting held on September 16, 2006. The shareholders authorized the increase in remuneration of Mr. N. Rajagopal subject to limits specified under Schedule XIII to the Companies Act with effect from August 24, 2007. He is also entitled to certain other benefits as given below:

(a) Salary:

In the range of Rs.1,000,000/- to Rs.5,000,000/- per annum (with such annual/special increments within the aforesaid range as may be decided by the Board or any Committee thereof, in its absolute discretion from time to time

(b) Perquisites

Category A

a. Housing: The Company will provide unfurnished accommodation subject to the condition that the expenditure by the Company on hiring such accommodation will not exceed one month's Basic salary.
b. Medical Reimbursement: Medical expenses will be paid by the Company for Mr. N. Rajagopal and his family, viz. wife, dependent children and dependent parents subject to a ceiling of one month's basic salary in a year.
c. Leave Travel Concession: Mr. N. Rajagopal will be paid the expenses incurred on actual basis, subject to a ceiling of one month's basic salary in a year in accordance with the rules of the Company for himself, his wife, dependent children and dependent parents.
d. Club: Will be paid fees of clubs subject to a maximum of two clubs, which will not include admission and life membership fees.

Category B

i. Provident Fund: He will be entitled to the Company's contributions to PF as per prevailing rules

ii. Gratuity: Shall be paid as per the provisions of the Payment of Gratuity Act

Category C

Telephone: He will be provided with a telephone at his residence for the purpose of the Company's business.

Allowances : A special allowance not exceeding Rs.500,000/- per annum will be paid.

Performance Incentive: As decided by the Leadership, HRD & Remuneration Committee.

Mr. V. Sunder- President & Group CFO

Mr. V. Sunder was appointed as a Whole-time Director (designated as President & Gr. CFO) of our Company with effect from August 24, 2006 for a period of three years which was approved by the shareholders of our Company in the Annual General Meeting held on September 16, 2006. As per the provisions of the Companies Act read along with the Schedule XIII, the terms of remuneration of Mr. V. Sunder as the Whole time Director (designated as President & Gr. CFO) of our Company is amended with effect from August 24, 2007:

i. Salary:

In the range of Rs.1,000,000/- to Rs.5,000,000/- per annum (with such annual/special increments within the aforesaid range as may be decided by the Board or any Committee thereof, in its absolute discretion from time to time

ii. Perquisites

Category A

a. Housing: The Company will provide unfurnished accommodation subject to the condition that the expenditure by the Company on hiring such accommodation will not exceed one month's Basic salary.
b. Medical Reimbursement: Medical expenses will be paid by the Company for Mr. V. Sunder and his family, viz. wife, dependent children and dependent parents subject to a ceiling of one month's basic salary in a year.
c. Leave Travel Concession: Mr. Sunder will be paid the expenses incurred on actual basis, subject to a ceiling of one month's basic salary in a year in accordance with the rules of the Company for himself, his wife, dependent children and dependent parents.
d. Club: Will be paid fees of clubs subject to a maximum of two clubs, which will not include admission and life membership fees.

Category B

i. Provident Fund: He will be entitled to the Company's contributions to PF as per prevailing rules

ii. Gratuity: Shall be paid as per the provisions of the Payment of Gratuity Act

Category C

Telephone: He will be provided with a telephone at his residence for the purpose of the Company's business.

Allowances : A special allowance not exceeding Rs.500,000/- per annum will be paid.

Performance Incentive: As decided by the Leadership, HRD & Remuneration Committee.

Mr. B. Seshnath- Executive Director and Chief Marketing Officer

Mr. B. Seshnath was appointed as a Whole-time Director (designated as ED & CMO) of our Company with effect from March 25, 2008. Subject to the approval of shareholders of our Company, he is also entitled to certain other benefits as given below with effect from February 21, 2008:

(a) Salary:
In the range of Rs.1,000,000/- to Rs.5,000,000/- per annum (with such annual/special increments within the aforesaid range as may be decided by the Board or any Committee thereof, in its absolute discretion from time to time

(b) Perquisites

Category A

a. Housing: The Company will provide unfurnished accommodation subject to the condition that the expenditure by the Company on hiring such accommodation will not exceed one month's Basic salary.
b. Medical Reimbursement: Medical expenses will be paid by the Company for Mr. B. Sheshnath and his family, viz. wife, dependent children and dependent parents subject to a ceiling of one month's basic salary in a year.
c. Leave Travel Concession: Mr. B. Sheshnath will be paid the expenses incurred on actual basis, subject to a ceiling of one month's basic salary in a year in accordance with the rules of the Company for himself, his wife, dependent children and dependent parents.
d. Club: Will be paid fees of clubs subject to a maximum of two clubs, which will not include admission and life membership fees.

Category B

a. Provident Fund: He will be entitled to the Company's contributions to PF as per prevailing rules
b. Gratuity: Shall be paid as per the provisions of the Payment of Gratuity Act

Category C

Telephone: He will be provided with a telephone at his residence for the purpose of the Company's business.

Allowances: A special allowance not exceeding Rs.500,000/- per annum will be paid.

Performance Incentive: As decided by the Leadership and HRD & Remuneration Committee.

Compensation of Directors

For the year ended March 31, 2008, we have paid an aggregate compensation including sitting fees to our Directors of Rs. 19.54 million.

Directors' Interest

The total interests of the Directors in our Company's Equity Shares as of June 27, 2008 are as discussed below.

Name of the Director	No. of Shares held by the Directors as of June 27, 2008
Mr. Udayant Malhoutra	930,854
Mr. N. Rajagopal	278
Air Chief Marshal S. Krishnaswamy (Retd)	40

All the Directors, including Independent Directors, may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or a Committee thereof as well as to the extent of other remuneration or commission and reimbursement of expenses payable to them under the Articles of Association. The Whole-time Directors will be interested to the extent of remuneration paid to them for services rendered as officers or employees of our Company. All the directors, including Independent Directors, may also be deemed to be interested to the extent of Equity Shares, if any, already held by or that may be subscribed for and allotted to them.

The Directors may also be regarded as interested in the shares, if any, held by or that may be subscribed by and allotted to the companies, firms and trust, in which they are interested as directors, members, partners and/or trustees.

All Directors may be deemed to be interested in the contracts, agreements/arrangements entered into or to be entered into by our Company with any company in which they hold directorships or any partnership firm in which they are partners as declared in their respective declarations. Except as stated otherwise in this Placement Document and statutory registers maintained by our Company in this regard, our Company has not entered into any contract, agreements or arrangements during the preceding two years from the date of the Placement Document in which the directors are interested directly or indirectly and no payments have been made to them in respect of these contracts, agreements or arrangements which are proposed to be made to them.

Corporate Governance

Our corporate governance policies recognise the accountability of the Board and the importance of making the Board transparent to all its constituents, including employees, customers, investors and the regulatory authorities, and to demonstrate that the shareholders are the ultimate beneficiaries of our economic activities.

Our corporate governance framework is based on an effective independent board, the separation of the board's supervisory role from the executive management and the constitution of board committees, generally comprising a majority of independent directors and chaired by an independent director, to oversee critical areas and functions of executive management except for the Share Transfer Committee.

Our corporate governance philosophy encompasses not only regulatory and legal requirements, such as the terms of listing agreements with stock exchanges, but also several voluntary practices aimed at a high level of business ethics, effective supervision and enhancement of value for all shareholders. The Board of Directors also functions through various committees such as the Audit Committee, the Leadership, HRD & Remuneration and the Shareholders' Committee. These committees meet on a regular basis.

There are four Board Level Committees in our Company, which have been constituted and functioning in accordance with the relevant provisions of the Companies Act and the Listing Agreement. These are the (i) Audit Committee, (ii) Leadership, HRD & Remuneration Committee and (iii) Shareholders' Committee (iv) Technical Development Committee. A brief on each Committee, its scope and composition for the current year is given below:

Audit Committee

The Board has constituted an Audit Committee and has defined its powers and terms of reference at its meeting held on July 21, 2001 and reviewed from time to time. Presently, the Committee consists of the following members:

Sl.No.	Name	Designation
1.	Mr. Vijai Kapur	Chairman
2.	Dr. K. Aprameyan	Member, Alternative Chairman
3.	Air Chief Marshal S. Krishnaswamy (Retd.)	Member
4.	Ms. Shanti Ekambaram	Member
5.	Mr. Raymond Lawton	Member

All key events concerning governance of financial reporting process, disclosures and internal control systems of our Company will be brought before the Audit Committee.

Leadership, Remuneration and HRD Committee

Our Company has constituted a Leadership, Remuneration and HRD Committee comprising of the following:

Sl.No.	Name	Designation
1.	Air Chief Marshal S. Krishnaswamy (Retd.)	Chairman
2.	Dr. K. Aprameyan	Member
3.	Mr. Vijai Kapur	Member

The Committee has overall responsibility of approving and evaluating the roles and responsibilities of Executive Directors of our Company and to review the Human Resources Development policies of our Company from time to time. The Committee forwards its recommendations to the Board on the remuneration package proposed for the Executive Directors of our Company.

Shareholders' Committee

Our Company has constituted a Shareholders' Committee comprising of the following members:

Sl.No.	Name	Designation
1.	Air Chief Marshal S. Krishnaswamy (Retd.)	Chairman
2.	Mr. V. Sunder	Member
3.	Mr. Udayant Malhoutra	Member

Our Company has constituted Shareholders' Committee for the overall supervision of all issues relating to shareholders, including share transfers, redressal of shareholders' grievances, issues relating to duplicate share certificates, etc.

The Share Transfer Committee (sub-committee of Shareholders' Committee) comprises of the following members:

Sl.No.	Name	Designation
1.	Mr. Udayant Malhoutra	Chairman
2.	Mr. N. Rajagopal	Member
3.	Ms. G. Haritha	Member

The Share Transfer Committee has the mandate to approve all cases relating to share transfers, transmissions, transportations, duplicate share certificates, exchange rejections, consolidations etc. on a fortnight basis.

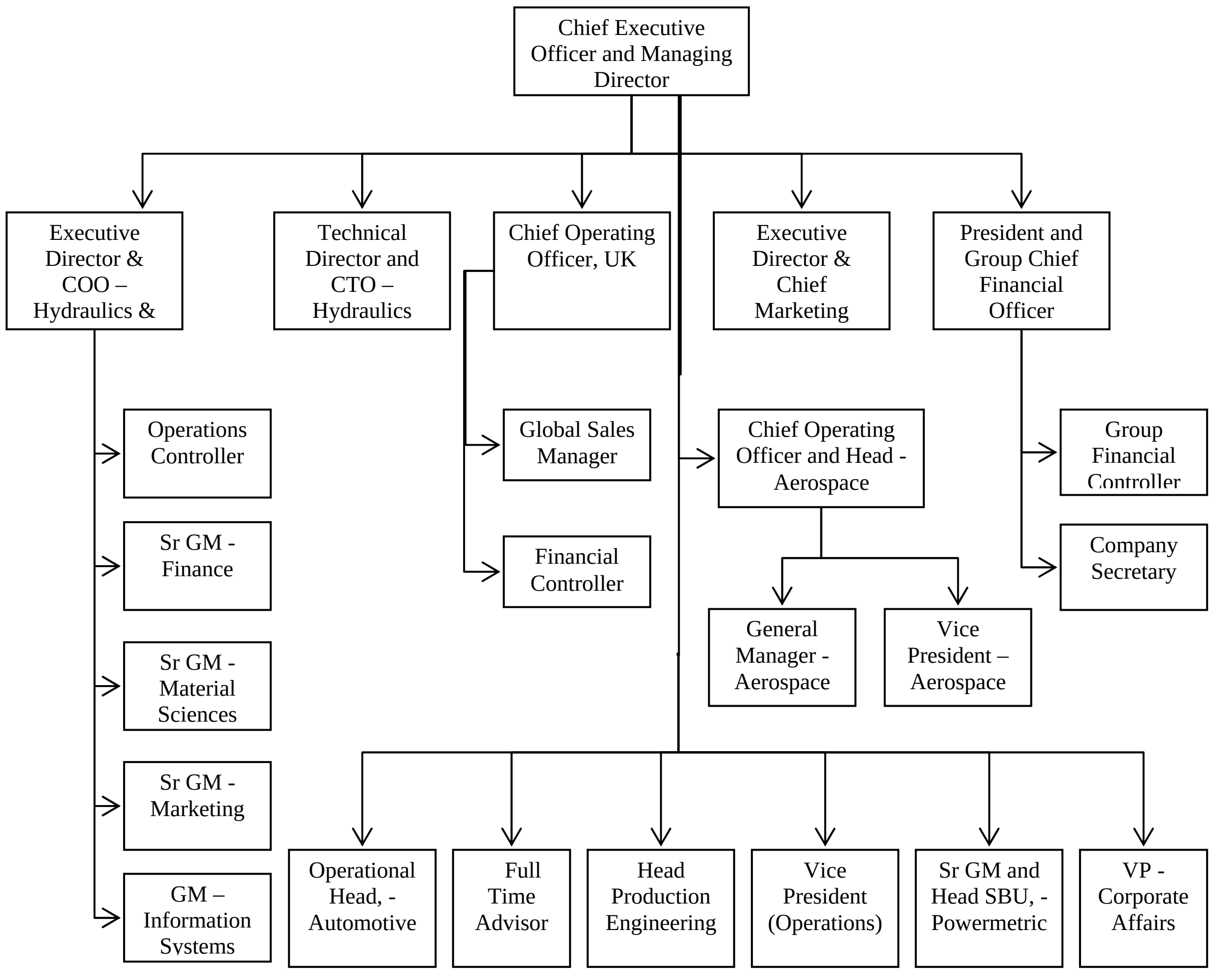
Technical Development Committee

The Technical Development Committee was constituted on September 24, 2003 with the objective of conducting in-depth reviews of all development projects, design and development projects, design and development of new products and technologies.

The Technical Development Committee comprises of the following:

Sl.No.	Name	Designation
1.	Dr. K. Aprameyan	Chairman
2.	Air Chief Marshal S. Krishnaswamy (Retd.)	Alternate Chairman
3.	Mr. N. Rajagopal	Member
4.	Mr. Raymond Lawton	Member
5.	Mr. Udayant Malhoutra	Member

ORGANISATION CHART



SENIOR MANAGEMENT

In addition to our Board of Directors as set forth above, the following form part of our senior management.

Air Commodore Ravish Malhotra (Retd.) (Aged 64),**Chief Operating Officer and Head of the Aerospace Division**, graduated from the USAF Test Pilots School, Edwards AFB in 1974. He joined the Indian Air Force and has a distinguished career in the Indian Air Force for over 30 years before he took an early retirement. He was also a member of the Indo-Soviet Space Mission in 1984 as part of the back up team and spent 2 years in Star City outside Moscow. He is also a qualified flying instructor and has been training pilots for the Air Force. He is heading a team of over 150 people who are working on the Su-30 programme as well as some of the indigenous projects like the Pilotless Target Aircraft and the new HAL Jet Trainer.

Mr. G. Parasurami Reddy, (Aged 63) **Vice President – Dynamatic Aerospace Division** has completed his B.E. in Mechanical from College of Engineering Anantpur, Andhra Pradesh and M.E. in Machine Design from Indian Institute of Science Bangalore. He had a distinguished career. Prior to joining our Company he had joined HAL in the year1968 and served in various positions and handled various responsibilities. He also worked as General Manager- Aircraft Division, Bangalore and retired from HAL in the year 2004.

Mr. P.S. Ramesh (Aged 49)**, Operations Controller** is a B.E. in Mechanical Engineering and M.Tech from IIT Madras. He started his career in Hindustan Aeronautics Limited and moved on to head Quality Assurance at SME

Aerospace at Malaysia. Mr. Ramesh joined our Company in the year 1999 as Head of Quality and spearheaded the campaign for implementing ISO 9001 certification. He has over 27 years of experience in quality, production and manufacturing technologies and has been instrumental in successfully implementing various initiatives such as TPM, 3C 5S and Lean manufacturing techniques.

Mr. G.V. Gururaj (Aged 49)**, Senior General Manager Marketing** is a Diploma in Mechanical Engineering. He has over 30 years of experience in various hydraulics companies such as Mannesmann Rexroth, Yuken (India) Limited and he joined our Company in the year 2000. Presently he is responsible for marketing of hydraulics division at Bangalore. He is also the Vice President of Fluid Power Society of India, the Apex body of Hydraulics component manufacturers in India.

Mr. Pradip Kumar Ray Choudhuri (Aged 57)**, Senior General Manager Engineering** is a B.E. and M.Tech in Mechanical Engineering from Jadhavpur University. He has over 37 years of experience in Quality, Design and Development and Manufacturing Technology and has two patents to his name. He joined our Company as General Manager Quality Assurance in the year 1998 and moved on to head the In House R & D unit. He has been instrumental in our Company obtaining 'Recognised In House R & D Unit' by the Department of Scientific and Industrial Research. Under his leadership, our Company has been able to broaden its portfolio of products.

Mr. Anilkumar Katti (Aged 51)**, Senior General Manager & Head SBU, Powermetric Design** is a Mechanical Engineer and M.Tech from IIT Madras. He has over 25 years of experience in Mechanical Design field. He joined our Company in the year 1998 and presently heads Powermetric Design, a division of our Company, engaged in the business of providing design solutions to its customers. Mr. Katti has been instrumental in designing many state-of-the-art machines for both customers and internal consumption such as Tiltable Gravity Die Casting Machines. He has two patents to his name.

Mr. Vijayendra K. Heblikar (Aged 50)**, Senior General Manager Material Sciences** has done his B.Tech (Engineering) from REC, Rourkela and M.Tech from IIT Madras. He has over 23 years of experience in the field of metallurgy and material sciences. He joined the Company in the year 2000. Under his leadership, our Company has been able to set up a state-of-the-art material sciences lab. Mr. Heblikar has been approved as the United States NADCAP Auditor and is an active member of Aluminum Casters' Association of India (ALUCAST). He has been instrumental in bringing about value engineering for various products of our Company

Mr. Subodh R (Aged 35), **General Manager, Aerospace Division** has completed his A B.E. in Mechanical Engineering and M. Des from Indian Institute of Science. He joined the Company in the year 2000. He started his career in Product Development in JKM Automotive and has worked in various positions in the Dynamatic group. He has been instrumental in setting up the different type of process for new product development which strategically increased the customer base by developing new customers like TATA Motors, Ford Motor Company, Honeywell and Cummins. He has also worked in JKM GLOBAL, and has been instrumental in enhancing business opportunities for the Aerospace and Engineering services divisions. He is currently involved in implementing his experience gained in the field of Automotive division into Aerospace and endeavouring to set up green field project for export of critical aircraft structures.

Ms. G. Haritha (Aged 33), **Company Secretary** has completed her both basic and advanced courses in Finance from the Institute of Chartered Accountants of India. She is also a Fellow member of the Institute of Company Secretaries of India. She started her career as management trainee in the Company during July, 1999 and currently working as Company Secretary since, 2002. She has worked with the Board and Leadership team of the Company in structuring the corporate governance procedures in compliance with listing agreement and best international practices. She has also worked with the corporate counsel in incorporating subsidiaries at Singapore and UK and liaise on with companies abroad in terms of corporate secretarial services.

Mr. Ian Patterson (Aged 54)**,Technical Director and Chief Technology Officer of our hydraulics business** , has completed Bachelor Degree in Science (Hons) and he is Chartered Engineer and Member of the Institution of Mechanical Engineers. He originally joined Sauer Danfoss Limited in the year 1977 as a design draughtsman and resigned in the year 1982. He re-joined Sauer Danfoss Limited in the year 1985 as Project Manager of the Research & Development Department and from the year 1990 he was Market Manager for Tractor Hydraulics. He was promoted to Chief Engineer in November 2000.

Mr. G.Srinivasan, (Aged 62), **Vice President (Operations)** has completed his graduation in Mechanical Engineering. He joined the Company in the year 1997. Mr. G. Srinivasan has a work experience of over 38 years in the Automotive Industry. He has worked with some of the leading auto component manufacturing companies such as Sundaram Clayton, Hydraulics Limited, Rane Engine Valves, TVS Autolec in various capacities. He has been trained and traveled extensively across the globe in his career. He is also an active member of the Executive Committee of ACMA (Auto Component Manufacturers Association) Southern Region. He is involved in various activities with ACMA and continuing to give his best services to the automotive field in India. M. Srinivasan has been instrumental in setting up the Automotive division of the Company.

Mr. Jae Ho Woo, (Aged 61), **Full Time Advisor** has completed Bachelor Degree in Metal Engineering from Han Yang University, Korea Full time Advisor, has over 35 years of work experience in Automotive Industry in Korea. He is joined our Company in the year 2007 and has shifted his base to India. He has over 35 years of work experience in the Automotive Industry in Korea. Prior joining the Company, he has worked with Hyundai Motor Company, Korea for over 20 years in various departments and I various capacities He has a wide exposure and experience in Aluminium die casting. He is currently guiding the Automotive team in new technology initiatives.

Mr. Satheesh Kumar.D, (Aged 35) **Operational Head, Automotive Division**, has completed his Engineering graduation in Instrumentation Technology. He joined our Company in the year 1997. He started his career in Quality Management System and was a Quality consultant before joining our Company. He has worked in various positions in JKM Automotive. He has worked in Quality, Production, New Product development, Supplier Development. He also headed the Manufacturing division before becoming a Operational Head. He has been instrumental in setting up the Automotive Project in Chennai and was also responsible in the complete transformation of JKM Automotive in India and globally as well. He is actively involved in bringing in new businesses to the Company and has contributed significantly in getting new customers.

Mr. Althaf Shareef S M, (Aged 48), **General Manager – Information Systems,** has completed his graduation degree in Bachelor in Science, Diploma in Computer Science and also a course in Oracle for application developers. He joined our Company in the year 1991. He has a work experience in software filed for over 19 years. Prior to joining our Company, he has worked with various organisations as a software consultant, computer programmer and software development. He is currently handling the entire Information Technology in the organization with Information Technology projects implementations which includes ERP, Data management, Information Data Security, Data center, software developments.

Mr. R. Shivakumar, (Aged 38), **Head Production Engineering,** has completed his B.E in Mechanical Engineering. He joined our Company in the year January, 2000. He has over 17 years of experience in production and production engineering activites. He is presently handling production engineering for DTL group (layout planning, infrastructure including building, machines, manpower, process planning).

Mr. S.K. Kapur (Aged 61)**, Vice President- Corporate Affairs** has completed his completed his diploma in engineering and post diploma in marketing management. He joined the Company in 1984 and worked in various positions before he became the Vice President- Corporate Affairs. Prior to joining our Company, he had worked with Escorts Ltd. as Apprentice Engineer, Telefunken India Ltd. as a Purchase Officer and Bombay Forgings Pvt. Ltd. as an Area Manager.

Mr. K R Srinivasan (Aged 47)**, Group Financial Controller,** is a qualified Chartered Accountant with over 18 years of rich and varied experience in the areas of Corporate Accounts & Finance, Management consultancy, and computerisation. He has repeatedly achieved significant successes in our Company through price restructuring; companywide cost compression methods, implemented best practices and minimized interest costs across group companies through innovative funding methods. He has spearheaded the implementation of ERP system in the company, among the first to do the same in an automotive component industry. He is also a trained Black Belt under Six Sigma, a unique feature and implemented many projects which has resulted in savings for the company ultimately resulting in value creation. Mr Srinivasan has been conferred with the prestigious award of **“**CFO of the year 2004” in the Small and Medium Enterprises Sector by IMA, Delhi.

Mr. N. Murali (Aged 50)**, Senior General Manager-Finance,** is a qualified Chartered Accountant with over 21 years of rich experience in the area of Finance and accounts. He has worked with different manufacturing companies like Madras Fertilizers Limited, Kissan Products Ltd(Presently know as Hindustan Unilever Ltd), Dulmison W S Power systems and further with Lafarge Aggregates Ltd in Qatar for a period of 6 years.
He has contributed significantly for cost reduction in the area of finance

Mr. Tony Atkins (Aged 52)**, Financial Controller,** is a qualified FCCA**.** He joined our Company in 2007. He has over 30 years experience in the senior management in the financial department in various manufacturing and distribution industries. He has also worked as Finance Director for H&H Electronics Ltd/Alpine Sheet Metal Ltd..

Mr. Alan Jinks, (Aged 58**), Global Sales Manager,** has a wealth of Hydraulics experience in the off and on highway markets. He has served as Sales Director for Ultronics for 10 Years. He had also worked for 38 years from a Design Engineer to Sales Manager at Dowty and Ultronics.

Interest of our Senior Management

None of our Senior Management holds any equity shares in our Company.

Transactions with Senior Management

There have been no transactions during the current or previous fiscal year between any of our senior management and us, which, because of their unusual nature or the circumstances in which they have been entered into, are or should b e required to be disclosed in our accounts or approved by our shareholders and there are no such transactions during an earlier fiscal year which remain in any respect outstanding or unperformed.

ORGANIZATION STRUCTURE AND MAJOR SHAREHOLDERS

Our Principal Shareholders

Our Company's Shareholding Pattern as on June 30, 2008.

Sl. No.	Category	No. of shares
(A)	**Shareholding of Promoter and Promoter Group**	
(1)	**Indian**	
(a)	Individuals/ Hindu Undivided Family	935,892*
(b)	Central Government/ State Government(s)	-
(c)	Bodies Corporate	1,955,237
(d)	Financial Institutions/ Banks	-
(e)	Partnership firm through partners	-
	Sub-Total (A)(1)	2,891,129
(2)	**Foreign**	
(a)	Individuals (Non-Resident Individuals/ Foreign Individuals)	-
(b)	Bodies Corporate	-
(c)	Institutions	-
(d)	Any Other (specify)	-
	Sub-Total (A)(2)	0
	Total Shareholding of Promoter and Promoter Group (A)= (A)(1)+(A)(2)	**2,891,129**
(B)	**Public shareholding**	
(1)	**Institutions**	
(a)	Mutual Funds/ UTI	10,650
(b)	Financial Institutions/ Banks	392
(c)	Central Government/ State Government(s)	-
(d)	Venture Capital Funds	-
(e)	Insurance Companies	-
(f)	Foreign Institutional Investors	636,712
(g)	Foreign Venture Capital Investors	-
(h)	Any Other (specify)	-
	Sub-Total (B)(1)	647,754
(2)	**Non-institutions**	
(a)	Bodies Corporate	154,893
(b)	Individuals -	
	i. Individual shareholders holding nominal share capital up to Rs. 1 lakh.	871,975
	ii. Individual shareholders holding nominal share capital in excess of Rs. 1 lakh.	166,999
(c)	Any Other (specify)	
	Trust	3,924
	Non Resident Indians	35,530
	Clearing Members	38,499
	Sub-Total (B)(2)	1,271,820
	Total Public Shareholding (B)= (B)(1)+(B)(2)	**1,919,574**
	TOTAL (A)+(B)	**4,810,703**
(C)	**Shares held by Custodians and against which Depository Receipts have been issued**	-
	GRAND TOTAL (A)+(B)+(C)	**4,810,703**

** Mr. J.K Malhoutra expired on March 17, 2008. However, the transmission formalities pertaining to the 100 equity shares held in the name of Late. Mr. J.K Malhoutra has not been completed.*

The shareholding pattern as on June 30, 2008, of persons belonging to the category "Promoters" and Promoter Group and who are holding more than 1% of the total number of our Company's issued and paid-up share capital has been set out in the table below:

Sl. No	Name	Number of Shares	% of Total
1	Mr. Udayant Malhoutra	930,854	19.34
2	Mr. Late. J K Malhoutra*	100	0.00
3	Mrs. Barota Malhoutra	4,938	0.10
4	M/s J K M Holdings Pvt Ltd	803,135	16.72
5	M/s J K M Offshore India Pvt Ltd	414,769	8.62
6	M/s. Wavell Investments Pvt. Limited	119,790	2.49
7	M/s.Primella Sanitary Products (Pvt)Ltd	100	0.00
8	M/s.Christine Hoden (India) Pvt. Ltd.	100	0.00
9	M/s.Vita Private Limited	100	0.00
10	M/s.Udayant Malhoutra And Company Pvt Ltd	617,243	12.83
	TOTAL	**2,891,129**	**60.10**

** Mr. J.K Malhoutra expired on March 17, 2008. However, the transmission formalities pertaining to the 100 equity shares held in the name of Late. Mr. J.K Malhoutra has not been completed.*

Lock In of Shares

Pursuant to the merger of JKM Dae Rim Private Limited with our Company, the following shares which were issued to M/s. Udayant Malhoutra and Company Pvt. Ltd. have been locked in for a period of three years from date of listing which will expire on May 27, 2011.

Name of Promoter	No. of Equity Shares	Face Value	Nature of consideration	% of paid up capital
M/s. Udayant Malhoutra and Company Pvt Ltd	154286	Rs.10/-	Shares issued pursuant to the merger	3.21
TOTAL	**154286**			

The shareholding pattern as on June 30, 2008 of persons belonging to the category "Public" and who are holding more than 1% of the total number of the Company's issued and paid-up share capital has been set out in the table below:

Sl.No	Name	Number of Shares	% of Total
1.	Premier Investments Fund Ltd	55,000	1.14
2.	Swiss Finance Corporation (Mauritius) Limited	209,946	4.36
3.	Morgan Stanley and Co.International Limited A/c MO	127,500	2.65
4.	Lashit Sanghvi	50,000	1.04
5.	Neha Sanghvi	50,000	1.04
6.	Fid funds (Mauritius) Limited	158,215	3.29
	TOTAL	650,661	13.53

Shareholding of Directors in our Company

Sl.No.	Name of Director	No. of equity shares	% of total
1.	Mr. Udayant Malhoutra	930,854	19.34
2.	Mr. N. Rajagopal	278	.0058
3.	Air Chief Marshal S. Krishnaswamy (Retd)	40	.0008

Our Promoters and Promoter Group

A profile of our Promoter Group, (which definition includes our Promoters), is as follows:

The natural persons who are part of the Promoter Group (being the immediate relatives of our Promoters), apart from the individual Promoters mentioned above, are as follows:

Promoter	Relationship	Name of the Relative	Shareholding (% of total)
Udyant Malhoutra	Father	Late. J.K Malhoutra	.0021
	Mother	Barota Malhoutra	.0103
	Spouse	Pramilla Malhoutra	Nil

Promoter	Relationship	Name of the Relative	Shareholding (% of total)
Barota Malhoutra	Father	Late S.K. Dey	Nil
	Mother	Late Aruna Dey	Nil
	Spouse	Late. J.K Malhoutra	.0021
	Son	Udayant Malhoutra	19.34

Relationship	In Connection With Our Promoters
Any company in which 10% or more of the share capital is held by the Promoter or an immediate relative of the Promoter or a firm or HUF in which the Promoter or any one or more of his immediate relatives is a member	(1) J K M Holdings Pvt Ltd. (2) Wavell Investments Pvt. Limited (3) Primella Sanitary Products (Pvt)Ltd (4) Christine Hoden (India) Pvt. Ltd (5) Vita Private Limited (6) Udayant Malhoutra And Company Pvt. Ltd
Any company in which a company mentioned in (1) above, holds 10% of the total	None
Any HUF or firm in which the aggregate share of the Promoter and his immediate relatives is equal to or more than 10% of the total	None

Our Company has two subsidiaries (i) JKM Research Farm Limited and (ii) JKM Global Pte. Limited, Singapore. Dynamatic Limited, UK is a step down of subsidiary of JKM Global Pte. Limited.

The relevant details of our subsidiaries are as under:

JKM Research Farm Limited

JKM Research Farm Limited was incorporated as a private limited company in Karnataka under the name and style JKM Sayag Floriculture Private Limited on December 09, 1994 with company registration no.08/16696 of 1994. Subsequently, the name was changed to JKM Floriculture Limited and a fresh certificate of incorporation consequent on change of name was issued on August 20, 1996. The said name JKM Floriculture Limited was further changed to JKM Research Farm Limited and a fresh certificate of incorporation consequent on change of name was issued on August 21, 2001. The registered office of JKM Research Farm Limited is situated at Dynamatic Park, Peenya, Bangalore- 560 058. JKM Research Farm Limited has an authorized share capital of Rs. 2 crores divided into 20, 00, 000 equity shares of Rs. 10/- each and a paid up capital of Rs. 2 crores divided into 20, 00, 000 of Rs. 10/- each.

The main objects of JKM Research Farm Limited on its incorporation are as follows:

(i) To carry on business of floriculturists, agriculturists, horticulturists, cultivator, tillers, nurserymen, husbandsmen, seedsmen, farmers, garderners and raisers of crops, vegetables, plants, roots, creepers, garden plants, grapes, vines, sugarcane, cotton, tea, coffee, cocoa, rubber and to process and to grow, cultivate, plant, product, buy, sell and make marketable, import, export and otherwise deal in floricultural, agricultural, horticultural, sericultural, botanical, agro forestry, farm and garden products, grains, seeds, crops including commercial crops and to set up and run cold storages.

(ii) To carry on the business as agents, representatives, consultants, consulting engineers for setting of turnkey projects relating to floriculture, tissue culture, horticulture and agriculture both in India and abroad.

(iii) To acquire, develop and deal in immovable and movable properties for the purpose of setting up of floricultural, agricultural, horticultural, plantation, agro-forestry, agro-processing projects including cold storage units.

Shareholding Pattern

The shareholding pattern of JKM Research Farm Limited is:

Sl. No	Shareholder	No. of Shares	Percentage
1*	Mr. Udayant Malhoutra	10	.00005
2*	Mrs. Pramilla Malhoutra	10	.00005
3*	Ms. G. Haritha	10	.00005
4*	Mr. Bansilal Dhar	10	.00005
5*	Mr. V. Sunder	10	.00005
6*	Mr. J. Suresh	10	.00005
7*	Mr. PSL Narasimhan	10	.00005
8	Dynamatic Technologies Limited	1999930	99.99
	TOTAL	200,00000	100%

* - These shares are being held under trust by the said shareholders under section 187C of the Companies Act, 1956.

Constitution of Board

The Board of Directors of JKM Research Farm Limited are.

(a) Mr. Udayant Malhoutra
(b) Mrs. Pramilla Malhoutra
(c) Mr. V Sunder

JKM Global Pte Limited (Singapore)

JKM Global Pte Limited (Singapore) was incorporated in Singapore as private company limited by shares on August 10, 2005 as evidenced by the Certificate Confirming Incorporation of Company dated August 17, 2005 and the Company no. being 200510987D. The registered office of JKM Global Pte Limited (Singapore) is situated at 8 Temasek Boulevard, # 35-03, Suntec Tower 3, Singapore. The share capital of JKM Global Pte Limited (Singapore) is S$100,000/- divided in to 100,000 shares of S$1 each.

The main objects of JKM Global Pte Limited (Singapore) contain inter alia to purchase, establish and carry on business as general merchants, manufacturers, importers, exporters, commission agents, del credere agents, removers, packers, storers, storekeepers, factors and manufacturers of and dealers in foreign and local produce, manufactured goods, materials and general merchandise and to import, buy, prepare, manufacture, render marketable, sell, barter, exchange, pledge, charge, make advances and otherwise deal in or turn to account, produce, goods, materials and merchandise generally in their prepared, manufactured or raw state and to undertake, carry on and execute all kinds of commercial trading and other manufacturing operations or servicing/testing facilities and all business whether wholesale or retail etc.

Shareholding Pattern

JKM Global Pte Limited (Singapore) is a 100% wholly owned subsidiary of our Company.

Sl. No	Shareholder	*No. of Shares*	*Percentage*
1	Dynamatic Technologies Limited	2432765	100%
	TOTAL	2432765	100%

Constitution of Board

The Board of Directors of JKM Global Pte Limited (Singapore) are.

(a) Mr. Udayant Malhoutra
(b) Mr. V. Sunder
(c) Mr. Lim Tiong Beng

Dynamatic Limited

Dynamatic Limited was incorporated on May 10, 2007 in the United Kingdom as evidenced by the Certificate of Incorporation of a private limited issued by the Registrar of Companies for England and Wales, the registration no. being 6243736. The registered office of Dynamatic Limited is situated at 4th Floor, 3 Tenterden Street, Hanover Square, London WIS ITD. The authorized share capital of Dynamatic Limited is £1000/- divided in to 1000 shares of £1 each.

The main objects of Dynamatic Limited contain inter alia is to carry on the business and undertaking of a general commercial company in all respects.

Shareholding Pattern

Dynamatic Limited is a 100% wholly owned subsidiary of JKM Global Pte Limited (Singapore).

Sl. No	Shareholder	*No. of Shares*	*Percentage*
1	JKM Global Pte Limited	1251000	100%
	TOTAL	1251000	100%

Constitution of Board

The Board of Directors of Dynamatic Limited are.

(a) Mr. Raymond Keith Lawton
(b) Mr. Michael John Handley
(c) Mr. V. Sunder
(d) Mr. Udayant Malhoutra

ISSUE PROCEDURE

Below is a summary intended to present a general outline of the procedure relating to the bidding, payment, allocation and allotment of the Equity Shares. The procedure followed in the Issue may differ from the one mentioned below and investors are assumed to have appraised *themselves of the same from us or the Sole Bookrunner. Investors are advised to inform themselves of any restrictions or limitations that may be applicable to them.*

Qualified institutional Placements

The Issue is being made in reliance upon Chapter XIII-A of the SEBI (DIP) Guidelines through the recently introduced mechanism of Qualified Institutional Placements (QIPs) wherein a listed company may issue and allot equity shares / fully convertible debentures / partly convertible debentures or any other security (excluding warrants) on a private placement basis to QIBs as defined in clause 2.2.2B (v) of the SEBI (DIP) Guidelines and below.

We shall apply for the approval of the Stock Exchanges under Clause 24 (a) of the listing agreements, and shall also file a copy of the Placement Document with the Stock Exchanges.

Issue Procedure

The Sole Bookrunner and we shall circulate the Placement Document either in electronic form or physical form to QIBs.

1. The Sole Bookrunner shall deliver to the QIBs a Bid cum Revision Form. The list of QIBs to whom the Bid cum Revision Form is delivered shall be determined by us in consultation with the Sole Bookrunner.
2. QIBs may submit the Bids (including the revision of Bids) through the Bid cum Revision form during the bidding period to the Sole Bookrunner.
3. QIBs would have to indicate the following in the Bid:
   a) Name of the QIB to whom QIP Shares are to be allotted;
   b) Number of QIP Shares in which the QIB has interest; and
   c) Price at which they are agreeable to apply for the QIP Shares, provided that QIB's may also indicate that they are agreeable to submit a Bid at the "Cut-off Price" which shall be any price as may be determined by us in consultation with the Sole Bookrunner at or above the Floor Price.

   Note: Each sub account of an FII will be considered as an individual QIB and separate forms would be required from each such sub account for submitting Bids.
4. The Bid Closing Date shall be notified to the Indian Stock Exchanges and the QIBs shall be deemed to have been given notice of the same.
5. Based on the Bids received, we shall decide the Issue Price, which shall be at or above the Floor Price, and the number of QIP Shares to be issued, in consultation with the Sole Bookrunner. We shall notify the Stock Exchanges of the Issue Price. On determining Issue Price and the QIBs to whom Allocation shall be made, such QIBs shall be sent the Confirmation of Allocation Note, ("**CAN**"), inviting such QIBs to submit the Application Form. The CAN shall contain details like the number of QIP Shares allocated to the QIB, the details of the amounts payable by the QIB for Allotment of the QIP Shares in its name and the Pay-In Date as applicable to the respective QIB. The QIBs will also be sent a serially numbered Application Form and a serially numbered Placement Document either in electronic form or through physical delivery. Only QIBs that receive the CAN are invited to participate in this Issue. Ours and the Sole Bookrunner's decisions in this regard shall be at our sole and absolute discretion.
6. QIBs shall have to deliver the completed Application Form with the requisite annexures to the Sole Bookrunner along with a cheque / confirmation of payment through electronic transfer for the application monies to our designated bank account by the Pay-in-Date as specified in the CAN sent to the respective QIBs.
7. Upon receipt of the completed Application Forms and the application monies from the QIBs, we shall issue and allot the Equity Shares to the QIBs in accordance with the details provided in the Application Form. We shall <u>not</u> allot Equity Shares to more than 49 QIBs. We will intimate to the Stock Exchanges the details of the Allotment.

8. After passing the Allotment resolution and prior to crediting the Equity Shares into the depository participant accounts of the QIBs, we shall apply for in-principle approval of the Stock Exchanges for listing of the Equity Shares.
9. After receipt of the in-principle approval of the Stock Exchanges, we shall credit the Equity Shares into the depository participant accounts of the QIBs.
10. We shall then apply for the final trading and listing permissions from the Stock Exchanges with regard to the QIP Shares.
11. The QIP Shares that have been so allotted and credited to the depository participant accounts of the QIBs shall be eligible for trading on the Stock Exchanges only upon the receipt of final trading and listing approvals from the Stock Exchanges.
12. The Stock Exchanges shall notify the final trading and listing permissions, which is ordinarily available on their websites. We shall not be responsible for any delay or non-receipt of the communication of the final trading and listing permissions from the Stock Exchanges or any loss arising from such delay or non-receipt. QIBs are advised to keep themselves apprised of the status of the receipt of the permissions from the Stock Exchanges or us.

Qualified Institutional Buyers

Only QIBs as defined in clause 2.2.2B (v) of the SEBI (DIP) Guidelines are eligible to invest. Currently these include:

- public financial institutions as defined in section 4A of the Companies Act;
- scheduled commercial banks;
- mutual funds registered with SEBI ("Mutual Funds");
- foreign institutional investors registered with SEBI ("FIIs");
- multilateral and bilateral development financial institutions;
- venture capital funds registered with SEBI;
- foreign venture capital investors registered with SEBI;
- state industrial development corporations;
- insurance companies registered with Insurance Regulatory and Development Authority, India;
- provident funds with minimum corpus of Rs.250 million; and
- pension funds with minimum corpus of Rs.250 million.

Under Clause 13A.2.4 of the SEBI (DIP) Guidelines, no allotment shall be made, either directly or indirectly, to any QIB who is a promoter or any person related to the promoter(s) of the Company. For this purpose, any QIB who has all or any of the following rights shall be deemed to be related to promoters:

1. rights under a shareholders' agreement or voting agreement entered into with promoters of the Company or persons related to the promoters of the Company;
2. veto rights; or
3. the right to appoint a nominee director on the board of the Company,

unless a QIB has acquired any of these rights in its capacity as a lender to the company and such QIB does not hold any shares in the company.

We and the Sole Bookrunner are not liable for any amendments or modifications or changes in applicable laws or regulations which may occur after the Preliminary Placement Document is filed with the Stock Exchanges. QIBs are advised to make their independent investigations and satisfy themselves that they are eligible to Bid. QIBs are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Placement Document. Furthermore, QIBs are required to satisfy themselves that their Bids would not eventually result in triggering a tender offer under the Takeover Code.

Note: Affiliates or associates of the Sole Bookrunner who are QIBs may participate in the Issue in compliance with applicable laws.

BIDDING

Bid cum Revision Form

QIBs shall only use the specified Bid cum Revision Form supplied by the Sole Bookrunner in either electronic form or by physical delivery for the purpose of making a Bid (including revision of a Bid) in terms of the Placement Document.

By making a Bid (including revision) for QIP Shares pursuant to the terms of the Placement Document, the QIB will deemed to have made the following representations and warranties and the representations, warranties and agreements as detailed under " Selling Restrictions" herein:

1. The QIB confirms that it is a Qualified Institutional Buyer ("QIB") in terms of Clause 2.2.2B (v) of the SEBI (DIP) Guidelines and is eligible to participate in this Issue;
2. The QIB confirms that it is not a promoter of our Company and is not a person related to the Promoters, either directly or indirectly and its Bid does not directly or indirectly represent our Promoter or Promoter Group;
3. The QIB confirms that it has no rights under a shareholders agreement or voting agreement with the Promoters or persons related to the Promoters, no veto rights or right to appoint any nominee director on the Board other than that acquired in the capacity of a lender which shall not be deemed to be a person related to the Promoters;
4. The QIB has no right to withdraw its Bid after the Bid Closing Date;
5. The QIB confirms that if allotted QIP Shares pursuant to the Placement Document, the QIB shall, for a period of one year from allotment sell the QIP Shares so acquired only on the floor of the Stock Exchanges;
6. The QIB confirms that the QIB is eligible to Bid and hold the QIP Shares so allotted and together with any Equity Shares held by the QIB prior to the Issue. The QIB further confirms that the holding of the QIB, does not and shall not, exceed the level permissible in accordance with any regulations applicable to the QIB;
7. The QIB confirms that the Bids would not eventually result in triggering a tender offer under the Takeover Code; and
8. The QIB confirms that to the best of its knowledge and belief together with other QIBs in the Issue that belong to the same group or are under common control, the allotment to the QIB shall not exceed 50% of the Issue Size. For the purposes of this statement:
    a. The expression "belongs to the same group" shall derive meaning from the concept of 'companies under the same group' as provided in sub-section (11) of Section 372 of the Companies Act; and
    b. "Control" shall have the same meaning as is assigned to it by clause (c) of Regulation 2 of the Takeover Code.

Submission of Bid cum Revision Form

All Bid cum Revision Forms shall be duly completed with information including the name of the QIB, the price and the number of QIP Shares bid. The Bid cum Revision Form shall be submitted to the Sole Bookrunner either through electronic form or through physical delivery at the following address:

Name:	**Spark Capital Advisors (India) Private Limited**
Address :	Reflections, New No: 2, Old No. 12, Leith Castle Center Street, Santhome High Road, Santhome, Chennai – 600 028 INDIA
Contact Person:	S. Prasanna
E-mail:	dtl.qip@sparkcapital.in

Pricing and Allocation

Build up of the Book

The QIBs shall submit their Bids (including the revision of their Bids) through the Bid cum Revision Form within the bidding period to the Sole Bookrunner who shall maintain the Book. The Sole Bookrunner shall not be required to provide any written acknowledgement of the same.

Price Discovery and Allocation

We, in consultation with the Sole Bookrunner, shall finalize the Issue Price which shall be at or above the Floor Price. After finalization of the Issue Price, we shall update the Preliminary Placement Document with the issue details and file the same with the Stock Exchanges as the Placement Document.

Method of Allocation

We shall determine the Allocation for the purposes of inviting Application Forms in consultation with the Sole Bookrunner in compliance with Chapter XIII-A of the SEBI (DIP) Guidelines. Bids received from the QIBs at or above the Issue Price shall be grouped together to determine the total demand. The Allocation to all such QIBs will be made at the Issue Price. Allocation shall be decided by us in consultation with the Sole Bookrunner on a discretionary basis to a maximum of 49 QIBs. Allocation to Mutual Funds for up to a minimum of 10% of the Issue Size shall be undertaken subject to valid Bids being received at or above the Issue Price.

THE DECISION OF THE COMPANY AND THE SOLE BOOKRUNNER IN RESPECT OF ALLOCATION SHALL BE BINDING ON ALL QIBS. QIBS MAY NOTE THAT ALLOCATION OF QIP SHARES IS AT THE SOLE AND ABSOLUTE DISCRETION OF THE COMPANY AND QIBS MAY NOT RECEIVE ANY ALLOCATION EVEN IF THEY HAVE SUBMITTED VALID BIDS AT OR ABOVE THE ISSUE PRICE. NEITHER THE COMPANY NOR THE SOLE BOOKRUNNER IS OBLIGED TO ASSIGN ANY REASONS FOR SUCH NON-ALLOCATION.

Number of Allottees

The minimum number of allottees of QIP Shares shall not be less than:
(a) two, where the issue size is less than or equal to Rs.2.5 billion; and
(b) five, where the issue size is greater than Rs.2.5 billion.

Provided that no single allottee shall be allotted more than 50% of the issue size. Provided further that QIBs belonging to the same group or those who are under common control shall be deemed to be a single allottee for the purpose of this clause. For details of what constitutes "same group" or "common control" see "Bidding - Bid cum Revision Form."

THE DECISION OF THE COMPANY AND THE SOLE BOOKRUNNER IN RESPECT OF ALLOTMENT SHALL BE FINAL AND BINDING ON ALL QIBS.

The maximum number of allottees of QIP Shares shall not be greater than 49 allottees.

Application Form and CAN

Based on the Bids received, we and the Sole Bookrunner will, in our sole and absolute discretion, decide the list of QIBs to whom the CAN shall be sent inviting such QIBs to submit an Application Form containing details of the QIP Shares allocated to them and the details of the amounts payable by them for Allotment of the QIP Shares in their respective names. Additionally, the CAN would include details of the bank account(s) for transfer of funds if done electronically, address where the Application Form needs to be sent, Pay-In Date as well as the probable designated date, ("**Designated Date**"), being the date of credit of the QIP Shares to the investor's account, as applicable to the respective QIBs. The dispatch of a CAN shall be deemed an invitation to the QIBs to submit an Application Form to apply for the QIP Shares so allocated and pay the entire Issue Price for such QIP Shares. The eligible QIBs would also be sent a serially numbered Application Form along with a serially numbered Placement Document either in electronic form or by physical delivery

QIBS WOULD NEED TO PROVIDE THEIR DEPOSITORY ACCOUNT DETAILS, THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE APPLICATION FORM. QIBS MUST ENSURE THAT THE NAME GIVEN IN THE APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. FOR THIS PURPOSE, SUB-ACCOUNTS OF A FII WOULD BE CONSIDERED AS AN INDEPENDENT QIB.

Mutual funds should submit only one Bid cum Application form on behalf of all their schemes and should further provide details of Allocation once the CANs are sent to them. Demographic details such as address and bank account information will be obtained from the Depositories in accordance with the demat account details given above.

By submitting the Application Form, the QIB will be deemed to have made the representations and warranties as specified under the section, "BID CUM REVISION FORM" and further that such QIB shall not undertake any trade in the QIP Shares credited to its depository participant account until such time that the final listing and trading approval for the QIP Shares is issued by the Indian Stock Exchanges.
QIBs are advised to instruct their Depository Participant to accept the QIP Shares that may be allocated / allotted to them pursuant to this Issue.

Submission of Application Form

All Application Forms duly completed along with payment and a copy of the PAN card or application for PAN shall be submitted to the Sole Bookrunner, according to the details provided in the respective CANs. The dispatch of the Placement Document and the CAN shall be deemed a valid, binding and irrevocable contract for the QIB to submit the Application Form and pay the entire Issue Price for all the QIP Shares allocated to such QIB.

Bank Account for Payment of Application Money

We have opened special bank accounts with Standard Chartered Bank in terms of the arrangement between us and the Banks. The QIB will be required to deposit the entire amount payable for the QIP Shares allocated to it by the Pay-In Date as mentioned in the respective CAN. If the payment is not made favouring the Bank Account within the time stipulated in the CAN, the Bid of the QIB, the Application Form and the CAN is liable to be cancelled

INDIAN SECURITIES MARKET

The information in this section has been extracted from publicly available documents from various sources, including officially prepared materials from SEBI, BSE and the NSE, and has not been prepared or independently verified by us or the Sole Bookrunner, or any of its respective affiliates or advisers.

The Indian Securities Market

India has a long history of organised securities trading. In 1875, the first stock exchange was established in Mumbai.

Stock Exchange Regulation

India's stock exchanges are regulated primarily by SEBI, as well as by the GoI acting through the Ministry of Finance, Stock Exchange Division, under the Securities Contracts (Regulation) Act 1956 ("**SCRA**") and the Securities Contracts (Regulation) Rules, 1957 ("**SCRR**"), which, along with the rules, bye-laws and regulations of the respective stock exchanges regulate the recognition of stock exchanges, the qualifications for membership and the manner in which contracts are entered into and enforced between members.

The Securities and Exchange Board of India Act, 1992 granted powers to SEBI to regulate the Indian securities markets, including stock exchanges and other intermediaries in the capital markets, to promote and monitor self-regulatory organisations, to prohibit fraudulent and unfair trade practices and insider trading and to regulate substantial acquisitions of shares and takeovers of companies. SEBI has also issued guidelines and regulations concerning minimum disclosure requirements by public companies, rules and regulations concerning investor protection, insider trading, substantial acquisition of shares and takeovers of companies, buyback of securities, delisting of securities, employee stock option schemes, stockbrokers, merchant bankers, underwriters, mutual funds, FIIs, credit rating agencies and other capital market participants.

The Central Listing Authority of India (the "**CLA**") has been set up by SEBI and will begin to address the issue of multiple listing of the same security across various Indian stock exchanges. It also aims to bring about uniformity in the due diligence process by scrutinising all listing applications on any stock exchange in India. The functions of the CLA are enumerated in the SEBI (Central Listing Authority) Regulations, 2003, which, inter alia, include processing the application made by any body corporate, mutual fund or collective investment scheme, for the letter of recommendation for it to be listed at the stock exchange; making recommendations as to listing conditions, making suggestions with respect to investor protection development and regulation of the securities market and disclosures to be made in Issue documents and any other functions that may be specified by SEBI from time to time.

Listing

The listing of securities on recognised Indian stock exchanges is regulated by the SCRA, the SCRR and the listing agreement of the respective stock exchanges, under which the governing body of each stock exchange is empowered to suspend trading of or dealing in a listed security for breach of the listed company's obligations under such agreement, subject to receiving prior notice of such intent of the stock exchange.

A listed company can be delisted under the provisions of the SEBI (Delisting of Securities) Guidelines 2003, which govern voluntary and compulsory delisting of shares of Indian companies from the stock exchanges. SEBI has the power to direct the amendment of listing agreements and bye-laws of stock exchanges in India. Any amendment of the bye-laws by the stock exchanges on their own requires the prior approval of SEBI. In order to restrict abnormal price volatility in any particular stock, SEBI has instructed the stock exchanges to apply daily circuit breakers which do not allow transactions beyond a certain level of price volatility. An index based market-wide (equity and equity derivatives) circuit breaker system has been implemented and additionally, there are currently in place varying individual scrip-wise bands. The Indian stock exchanges can also exercise the power to suspend trading during periods of market volatility.

Disclosures under the Companies Act and Securities Regulations

Under the Companies Act, a public Issue of securities in India must be made by means of a prospectus, which must contain information specified in the Companies Act and the SEBI (Disclosure and Investor Protection) Guidelines 2000, as amended. The prospectus must be filed with the Registrar of Companies having jurisdiction over the place where a company's registered office is situated, which in our case is currently the Registrar of Companies located in Mumbai, Maharashtra. A company's directors and promoters may be subject to civil and criminal liability for misrepresentation in a prospectus. The Companies Act also sets forth procedures for the acceptance of subscriptions and the allotment of securities among subscribers and establishes maximum commission rates for the sale of securities. SEBI has issued detailed guidelines concerning disclosure by public companies and investor protection.

Public limited companies are required under the Companies Act and SEBI guidelines to prepare, file with the Registrar of Companies in India and circulate to their shareholders audited annual accounts which comply with the Companies Act's disclosure requirements and regulations governing their manner of presentation and which include sections pertaining to corporate governance, related party disclosures and the management's discussion and analysis as required under the listing agreement. In addition, a listed company is subject to continuing disclosure requirements pursuant to the terms of its listing agreement with the relevant stock exchange. Accordingly, companies are now required to publish unaudited financial statements (subject to a limited review by our auditors) on a quarterly basis and are required to inform stock exchanges immediately regarding any stock price-sensitive information.

The Institute of Chartered Accountants of India and SEBI have implemented changes which require Indian companies to account for deferred taxation, to consolidate their accounts with subsidiaries, to provide segment wise sector reporting, to increase their disclosure regarding related party transactions from April 1, 2001 and to account for investments in associated companies and joint ventures in consolidated accounts and interim financial reporting from April 1, 2002. From April 1, 2003, accounting of intangible assets is also regulated by accounting standards set by the Institute of Chartered Accountants of India and as of April 1, 2004, these accounting standards also regulate accounting for impairment of assets.

Indian Stock Exchanges

There are now 22 stock exchanges in India. Most of the stock exchanges have their own governing board for self-regulation. A number of these exchanges have been directed by SEBI to file schemes for demutualization as a measure of moving towards greater investor protection.

The BSE and NSE together hold a dominant position among the stock exchanges in terms of the number of listed companies, market capitalisation and trading activity.

The National Stock Exchange of India Limited

The NSE serves as a national exchange, providing nationwide on-line satellite-linked screen-based trading facilities with an electronic order-based trading system, and electronic clearing and settlement for securities, including government securities, debentures, public sector bonds and units. The principal aim of the NSE is to enable investors to buy or sell securities from anywhere in India and to serve as a national market for securities. Deliveries for trades executed "on-market" are settled through the National Securities Clearing Corporation Limited. The NSE does not categorise shares into groups as does the BSE, except in respect of the trade-to-trade category. Screen-based paperless trading and settlement is possible through the NSE from 342 cities in India. The NSE commenced operations in the wholesale debt market in June 1994, in capital markets in November 1994 and in derivatives in June 2000.

The average daily turnover of the capital market segment was Rs. 138.96 billion for the month of May 2008. The NSE launched the NSE 50 Index, now known as S&P CNX NIFTY, on April 22, 1996 and the Mid-cap index on January 1, 1996. The securities in the NSE 50 Index are highly liquid. The market capitalisation of the NSE was Rs.

50,988.73 billion on May 2008. As of May 2008, there were 1,398 companies listed on the NSE and the traded value at the NSE was Rs. 2,779.23 billion. Derivatives trading commenced on the NSE in 2000.

The Bombay Stock Exchange Limited

The BSE, the oldest stock exchange in India, was established in 1875. The BSE switched over to online trading ("BOLT") from May 1995. Only a member of the BSE has the right to trade in the stocks listed on the BSE.

As of March 31, 2008, there were 4,901 listed companies trading on the BSE. The market capitalisation of stocks trading on the BSE as on May 2008 was Rs. 54,288.79 billion. The average daily turnover on the BSE was Rs. 60.84 billion for May 2008. The BSE has obtained SEBI approval to expand its BOLT network to more than 400 cities.

Derivatives trading commenced on the BSE in 2000. The BSE has wholesale and retail debt trading segments. Retail trading in government securities commenced in January 2003.

Takeover Code

Disclosure and mandatory bid obligations for listed Indian companies under Indian law are governed by the Takeover Code which prescribes certain thresholds or trigger points that give rise to these obligations, as applicable. Certain important provisions of the Takeover Code are as follows:

(a) Any acquirer (meaning a person who, directly or indirectly, acquires or agrees to acquire equity shares or voting rights in a company, either by himself or with any person acting in concert) who acquires equity shares or voting rights that would entitle him to more than 5.0%, 10.0%, 14.0%, 54.0% or 74.0% of the equity shares or voting rights in a company (together with our company's equity shares or voting rights, if any, already held by him) is required to disclose the aggregate of his equity shareholding or voting rights in that company to the company which in turn is required to disclose the same to each of the stock exchanges on which the company's equity shares are listed within two days of (a) the receipt of allotment information; or (b) the acquisition of equity shares or voting rights, as the case may be. The term "shares" has been defined under the Takeover Code to mean equity shares or any other security which entitles a person to acquire shares with voting rights.

(b) A person who, together with persons acting in concert with him, holds 15.0% or more, but less than 55.0%, of the equity shares or voting rights in any company is required to disclose any purchase or sale representing 2.0% of the equity shares or voting rights of that company (together with the aggregate shareholding after such acquisition or sale) to that company and the stock exchanges on which the company's equity shares are listed within two days of the purchase or sale and is also required to make annual disclosure of his holdings to that company (which in turn is required to disclose the same to each of the stock exchanges on which the company's equity shares are listed).

(c) Promoters or persons in control of a listed company are also required to make annual disclosure of their holding in the same manner. The listed company is also required to make annual disclosure of holdings of its promoters or persons in control as on March 31 of the respective year to each of the stock exchanges on which its equity shares are listed.

(d) An acquirer cannot acquire equity shares or voting rights which (taken together with existing equity shares or voting rights, if any, held by him or by persons acting in concert with him) would entitle such acquirer to exercise 15.0% or more of the voting rights in a listed company, unless such acquirer makes a public announcement Issue to acquire a further minimum of 20.0% of the equity shares of the company at a price not lower than the price determined in accordance with the Takeover Code. A copy of the public announcement is required to be delivered, on the date on which such announcement is published, to SEBI, the company and the stock exchanges on which the company's equity shares are listed.

(e) No acquirer who, together with persons acting in concert with him, has acquired, in accordance with law, 15.0% or more but less than 55.0% of the shares or voting rights in a listed company, shall acquire, either by himself or through or with persons acting in concert with him, additional shares or voting rights that would entitle him to exercise more than 5.0% of the voting rights in any financial year ending March 31, unless such acquirer makes a public announcement Issue to acquire a further minimum of 20.0% of the equity shares of the company at a price not lower than the price determined in accordance with the Takeover Code.

(f) An acquirer who, together with persons acting in concert with him, has acquired, in accordance with law, 55.0% or more but less than 75.0% of the equity shares or voting rights in a listed company (or, where the company concerned had obtained the initial listing of its shares by making an offer of at least 10.0% of the issue size to the public pursuant to Rule 19(2)(b) of the SCRR, less than 90.0% of the shares or voting rights in the company) would require such an acquirer to make an open offer to acquire a minimum of 20.0% of the shares or voting rights which it does not already own in the company. However, if an acquisition made pursuant to an open offer results in the public shareholding in the target company being reduced below the minimum level required under the listing agreement with the stock exchanges, the acquirer would be required to take steps to facilitate compliance by the target company with the relevant provisions of the listing agreement with the stock exchanges, within the time period prescribed therein.

(g) Where an acquirer who (together with persons acting in concert) holds 55.0% or more, but less than 75.0% of the shares or voting rights in a target company (or, where the concerned company had obtained the initial listing of its shares by making an offer of at least 10.0% of the issue size to the public pursuant to Rule 19(2)(b) of the SCRR, less than 90.0% of the shares or voting rights in the company), intends to consolidate its holdings while ensuring that the public shareholding in the target company does not fall below the minimum level permitted by the listing agreement with the stock exchanges, the acquirer may do so only by making an open offer in accordance with the Takeover Code. Such open offer would be required to be made for the lesser of (i) 20.0% of the voting capital of the company, or (ii) such other lesser percentage of the voting capital of the company as would, assuming full subscription to the open offer, enable the acquirer (together with persons acting in concert), to increase the holding to the maximum level possible, which is consistent with the target company meeting the requirements of minimum public shareholding laid down in the listing agreement with the stock exchanges.

(h) In addition, regardless of whether there has been any acquisition of equity shares or voting rights in a listed company, an acquirer cannot directly or indirectly acquire control over a company (for example, by way of acquiring the right to appoint a majority of the directors or to control the management or the policy decisions of the company) unless such acquirer makes a public announcement Issue to acquire a minimum of 20.0% of the voting equity shares of the company. In addition, the Takeover Code introduces the "chain principle" by which the acquisition of a holding company will obligate the acquirer to make a public offer to the shareholders of each subsidiary company which is listed.

The Takeover Code sets out the contents of the required public announcements as well as the minimum offer price.

The Takeover Code permits conditional offers as well as an acquisition and consequent delisting of the shares of a company and provides specific guidelines for the gradual acquisition of shares or voting rights. Specific obligations of the acquirer and the board of directors of the target company in the offer process have also been specified. Acquirers making a public offer are also required to deposit in an escrow account a percentage of the total consideration which amount will be forfeited in the event that the acquirer does not fulfil his obligations.

The general requirements to make such a public announcement do not, however, apply entirely to bailout takeovers when a promoter (i.e. a person or persons in control of the company, persons named in any offer document as promoters and certain specified corporate bodies and individuals) is taking over a financially weak company but not a "sick industrial Company" pursuant to a rehabilitation scheme approved by a public financial institution or a scheduled company. A "financially weak Company" is a company which has at the end of the previous financial year accumulated losses which have resulted in the erosion of more than 50.0% but less than 100% of the total sum of its paid up capital and free reserves as at the end of the previous financial year. A "sick industrial Company" is a company registered for more than five years which has at the end of any financial year accumulated losses equal to or exceeding its entire net worth.

The Takeover Code, subject to certain conditions specified in the Takeover Code, exempts certain specified acquisitions from the requirement of making a public offer, including, among others, the acquisition of shares (1) by allotment in a public issue or a rights issue, (2) pursuant to an underwriting agreement, (3) by registered stockbrokers in the ordinary course of business on behalf of clients, (4) in unlisted companies, (5) pursuant to a scheme of reconstruction or amalgamation, (6) pursuant to a scheme under Section 18 of the Sick Industrial Companies (Special Provisions) Act, 1985, (7) resulting from transfers between companies belonging to the same group of companies or between promoters of a publicly listed company and relatives, (8) by way of transmission through inheritance or succession, (9) resulting from transfers by Indian venture capital funds or foreign venture capital investors registered with SEBI, to promoters of a venture capital undertaking or venture capital undertaking pursuant to an agreement between such venture capital funds or foreign venture capital investors with such promoters or venture capital undertaking, (10) by the Government of India controlled companies, unless such acquisition is made pursuant to a disinvestment process undertaken by the Government of India or a State Government, (11) change in control by takeover/restoration of the management of the borrower company by the secured creditor in terms of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, (12) acquisition of shares by a person in exchange of equity shares received under a public offer made under the Takeover Code and (13) in terms of guidelines and regulations relating to delisting of securities as specified by SEBI. The Takeover Code does not apply to acquisitions in the ordinary course of business by public financial institutions either on their own account or as a pledgee. An application may also be filed with the takeover panel seeking exception from the open offer requirements of the Takeover Code. In addition, the Takeover Code does not apply to the acquisition of Global Depository Receipts or American Depository Receipts so long as they are not converted into equity shares carrying voting rights.

Under the Takeover Code, the term “promoter” includes any person who is control of the company or any person identified as a promoter in any document for the offer of securities to the public or existing shareholders or in the shareholding information disclosed under the listing agreement, whichever is later, or any person named as a relating to or belonging to the promoter group as defined under the Takeover Code.

Insider Trading Regulations

The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations 1992 (“Insider Trading Regulations”) have been promulgated by SEBI to prevent insider trading in India by prohibiting and penalising insider trading in India. The Insider Trading Regulations prohibit an “insider” from dealing, either on his own behalf or on behalf of any other person, in the securities of a company listed on any stock exchange when in possession of unpublished price-sensitive information. The terms “unpublished” and “price-sensitive information” are defined in the Insider Trading Regulations. The insider is also prohibited from communicating, counselling or procuring, directly or indirectly, any unpublished price-sensitive information to any other person who whilst in possession of such unpublished price-sensitive information shall not deal in securities. The prohibition under the Insider Trading Regulations also extends to a company dealing in the securities of a company listed on any stock exchange whilst in the possession of unpublished price-sensitive information. It is to be noted that recently SEBI has amended the Insider Trading Regulations to provide certain defences to the prohibition on companies in possession of unpublished price-sensitive information dealing in securities.

The Insider Trading Regulations make it compulsory for listed companies and certain other entities associated with the securities market to establish an internal code of conduct to prevent insider trading and also to regulate disclosure of unpublished price-sensitive information within such entities so as to minimise misuse of such information. To this end, the Insider Trading Regulations provide a model code of conduct. Further, the Insider Trading Regulations specify a model code of corporate disclosure practices to prevent insider trading which must be implemented by all listed companies.

On a continuing basis, under the Insider Trading Regulations, any person who holds more than 5.0% of the shares or of the voting rights in any listed company is required to disclose to the company, the number of shares or voting rights held by him and any change in shareholding or voting rights, (even if such change results in the shareholding falling below 5.0%) if there has been change in such holdings from the last disclosure made, provided such change exceeds 2.0% of the total shareholding or voting rights in the company. Such disclosure is required to be made within four working days of:

(i) the receipt of intimation of allotment of the shares; or
(j) the acquisition or the sale of the shares or voting rights, as the case may be.

Depositories

In August 1996, the Indian Parliament enacted the Depositories Act 1996 which provides a legal framework for the establishment of depositories to record ownership details and effect transfers in electronic book-entry form. SEBI has promulgated the Securities and Exchange Board of India (Depositories and Participants) Regulations 1996, which provide for the formation of such depositories, the registration of participants as well as the rights and obligations of the depositories, participants, the company, the beneficial owners and the issuers. The depository system has significantly improved the operations of the Indian securities markets.

Trading of securities in book-entry form commenced in December 1996. In January 1998, SEBI notified scripts of various companies for compulsory dematerialised trading by certain categories of investors such as foreign institutional investors and other institutional investors and has also required compulsory dematerialised trading in specified scripts for all retail investors. SEBI has subsequently significantly increased the number of scripts in which dematerialised trading is compulsory for all investors. However, even in the case of scripts required for compulsory dematerialised trading, investors, other than institutional investors, may trade in and deliver physical shares on transactions outside the stock exchange where there are no requirements to report such transactions to the stock exchange and on transactions on the stock exchange involving lots of less than 500 securities.

Transfers of shares in book-entry form require both the seller and the purchaser of the equity shares to establish accounts with depository participants registered with the depositories established under the Depositories Act. Upon delivery, the shares shall be registered in the name of the relevant depository in the listed company's books and the depository shall enter the name of the investor in its records as the beneficial owner, thus affecting the transfer of beneficial ownership. The beneficial owner shall be entitled to all rights and benefits of a shareholder and be subject to all liabilities in respect of his shares held by a depository. Every person holding equity share capital of the company and whose name is entered as a beneficial owner in the records of the depository is deemed to be a shareholder of the concerned company.

The Companies Act provides that Indian companies making initial public Issue of securities for or in excess of Rs. 100.00 million must issue the securities in dematerialized form.

Derivatives (Futures and Options)

Trading in derivatives is governed by the SCRA, the SCRA rules and the SEBI Act. The SCRA was amended in February 2000 and derivative contracts were included within the term "securities," as defined by the SCRA. Trading in derivatives in India takes place either on separate and independent derivatives exchanges or on a separate segment of an existing stock exchange. The derivative exchange or derivative segment of a stock exchange functions as a self regulatory organisation under the supervision of the SEBI. Derivatives products were introduced in phases in India, starting with futures contracts in June 2000 and index options, stock options and stock futures in June 2000, July 2001 and November 2001, respectively.

SELLING RESTRICTIONS

The distribution of this Placement Document or any offering material and the issue, sale or delivery of the QIP Shares is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Placement Document or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Placement Document may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised. No action has been taken or will be taken that would permit a public offering of the Equity Shares in any jurisdiction, or the possession, circulation or distribution of this Placement Document or any other material relating to us or the QIP Shares in any jurisdiction where action for such purpose is required. Accordingly, the QIP Shares may not be offered or sold, directly or indirectly, and neither this Placement Document nor any offering materials or advertisements in connection with the QIP Shares may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with all applicable rules and regulations of any such country or jurisdiction. We, our representatives and our agents will not be obligated to recognize any acquisition, transfer or resale of the QIP Shares made other than in compliance with applicable legal restrictions.

Hong Kong

No QIP Shares have been offered or sold, and no QIP Shares may be offered or sold, in Hong Kong, by means of any document, other than to persons whose ordinary business is to buy or sell shares or debentures, whether as principal or agent; or to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or in other circumstances which do not result in the document being a "Prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong. No document, invitation or advertisement relating to the QIP Shares has been issued or may be issued, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted under the securities laws of Hong Kong) other than with respect to QIP Shares which are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance.

Singapore

This Placement Document has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the "Securities and Futures Act"). Accordingly, the QIP Shares may not be offered or sold or made the subject of an invitation for subscription or purchase nor may this Placement Document or any other document or material in connection with the offer or sale or invitation for subscription or purchase of any QIP Shares be circulated or distributed, whether directly or indirectly, to the public or any member of the public in Singapore other than (a) to an institutional investor or other person falling within Section 274 of the Securities and Futures Act, (b) to a relevant person, or any person pursuant to Section 275(1A) of the Securities and Futures Act, and in accordance with the conditions specified in Section 275 of the Securities and Futures Act, or (c) otherwise than pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Each of the following relevant persons specified in Section 275 of the Securities and Futures Act which has subscribed or purchased Equity Shares, namely a person who is:

(a) a corporate (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor,

should note that shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for six months after that corporation or that trust has acquired the Equity Shares under Section 275 of the Securities and Futures Act except:

(1) to an institutional investor under Section 274 of the Securities and Futures Act or to a relevant person, or any person pursuant to Section 275(1A) of the Securities and Futures Act, and in accordance with the conditions, specified in Section 275 of the Securities and Futures Act;

(2) where no consideration is given for the transfer; or

(3) by operation of law.

United States of America

The QIP Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States and may not be offered, sold, pledged or otherwise transferred except pursuant to an exemption from the registration requirements of the U.S. Securities Act and in compliance with applicable U.S. state securities laws. The Equity Shares are not transferable except in accordance with the restrictions described under " Transfer Restrictions".

In addition, until 40 days after the date of the commencement of this Issue, an offer or sale of the Equity Shares within the United States (as defined in Regulation S) by a dealer (whether or not participating in this Issue) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the U.S. Securities Act.

European Economic Area (Members of the European Union, Iceland, Norway and Liechtenstein)

This Placement Document has not been submitted for approval to the national securities regulator of any country in the European Economic Area.

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), with effect from and including the date on which the Prospectus Directive is implemented in that Member State (the "Relevant Implementation Date"), QIP Shares may only be offered or sold in that Relevant Member State:

(a) at any time, to legal entities that are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(b) at any time, to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a balance sheet with a total balance of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, (in the case of (2) and (3)) as shown in its last annual or consolidated accounts); or

(c) at any time, in any other circumstances which do not require the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this paragraph, the expression "offer of QIP Shares" in relation to any QIP Share in any Relevant Member State means the communication in any form and by any means of sufficient information regarding the terms of the offer and the QIP Shares to be offered to enable an investor to decide to purchase or subscribe for the QIP Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

United Kingdom (in addition to European Economic Area restrictions above)

In addition, in the United Kingdom, this Placement Document is directed only at persons:

(a) having professional experience in matters relating to investments falling within Article 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) (the ''Order'') and persons falling within Article 49 of that Order; and

(b) to whom it may otherwise lawfully be communicated (all such persons together being referred to as ''relevant persons'').

Any investment or investment activity to which this Placement Document relates is available only to relevant persons and will be engaged in only with relevant persons. Any person in the United Kingdom who is not a relevant person should not act or rely on this document or any of its contents.

This Placement Document contains no offer to the public within the meaning of section 102B of the UK Financial Services and Markets Act 2000 or otherwise.

TRANSFER RESTRICTIONS

Resale restrictions

Resale of the QIP Shares by QIBs, except on recognized stock exchanges, are not permitted for a period of one year from the date of allotment, pursuant to Chapter XIII-A of the SEBI DIP Guidelines. Further, because the certain additional restrictions may apply, purchasers of QIP Shares are advised to consult their own legal counsel prior to making any offer, sale, resale, pledge or transfer of the QIP Shares.

U.S. Securities Law Transfer Restrictions

The QIP Shares have not been and will not be registered under the U.S. Securities Act and the initial purchasers thereof may only resell such shares (1) in a transaction exempt from the registration requirements of the U.S. Securities Act and in accordance with all applicable securities laws of the states of the United States or (2) in an transaction in accordance with Rule 904 of Regulation S (such as a transaction on the BSE or NSE where neither the seller nor any person acting on its behalf knows that the purchaser is in the United States).

EXCHANGE CONTROLS

Restrictions on Conversion of Indian Rupees

There are restrictions on conversion of Rupees into U.S. Dollars. Before February 29, 1992, RBI determined the official value of the Rupee in relation to a weighted basket of currencies of India's major trading partners. In the February 1992 budget, a new dual exchange rate mechanism was introduced by allowing conversion of 60% of the foreign exchange received on trade or current account at a market-determined rate and the remaining 40% at the official rate. All importers were, however, required to buy foreign exchange at the market rate except for certain priority imports. In March 1993, the exchange rate was unified and allowed to float. In February 1994 and again in August 1994, RBI announced relaxations of the payment restrictions previously applicable to certain transactions. Since August 1994, the GoI has substantially complied with its obligations to the International Monetary Fund, under which India is committed to refrain from using exchange restrictions on current international transactions as an instrument to manage the balance of payments. Effective July 1995, the process of current account convertibility was advanced by relaxing restrictions on foreign exchange for various purposes, such as foreign travel and medical treatment. The GoI has also relaxed restrictions on capital account transactions by resident Indians since 1999. For example, resident Indians are now permitted to remit up to U.S. $200,000 for any capital/current account transaction without any prior approval.

Dividends

Dividends on the Equity Shares received by foreign investors can be freely repatriated in foreign currency.

Restrictions on Sale of the Equity Shares and Repatriation of Sale Proceeds

Under Indian regulations and practice, the general permission of the RBI has been granted for the sale of equity Shares by a Non-Resident of India to a resident of India, provided that the pricing of the shares is in accordance with the pricing guidelines prescribed by RBI. However, if the pricing of the shares is not made in compliance with the pricing guidelines, then prior specific approval of RBI is required. Sale of shares under the portfolio investment scheme prescribed by the RBI does not require the approval of the RBI provided the sale is made on a recognised stock exchange, such as the Stock Exchanges, and through a registered stockbroker.

Under currency exchange controls that are in effect in India and for repatriation of the proceeds thereof, a Non-Resident is permitted to transfer Equity Shares of an Indian company to a resident of India without prior written approval of RBI if, the pricing guidelines issued by Reserve Bank from time to time have been adhered. Further, certain filings must be made with the authorized dealer (bank) in India that will be remitting the proceeds to the Non-Resident transferor outside India. If the price is higher than the price arrived at using the specified formula, then prior approval of RBI is required. Where equity shares are sold under the portfolio investment scheme, the sale proceeds may be remitted through an authorised dealer, without the approval of the RBI, provided that the equity shares are sold on a recognised stock exchange through a registered stock broker and a no objection/tax clearance certificate from the income-tax authority or the provision of an undertaking in the prescribed format along with a certificate from an accountant has been obtained. In case of FII, the sale proceeds may be credited to its special Non-Resident Rupee Account. In case of NRI, if the shares sold were held on repatriation basis, the sale proceeds (net of taxes) may be credited to his NRE/FCNR(B) accounts and if the shares sold were held on non repatriation basis, the sale proceeds may be credited to his NRO account subject to payment of taxes. There can be no assurance that any required approval from RBI or any other Government agency can be obtained on any particular terms or at all.

A Non-Resident of India holding shares or convertible debentures of an Indian company is, pursuant to recent regulatory changes, permitted to sell the shares or convertible debentures on a recognized Indian stock exchange through a registered broker. A Non-Resident or a NRI may generally transfer, by way of sale, the equity shares held by him to any other Non-Resident or a NRI, respectively, without the prior approval of RBI or the FIPB. However, if the acquirer of the equity shares has an existing or previous venture or tie-up in India through investment in shares or a technical collaboration or a trademark agreement or investment, howsoever called in the same field that the company is engaged in, the acquirer is required to obtain the prior permission of the Government of India to acquire the equity shares. However, the prior permission of the Government would not be required even in cases where the foreign investor has a joint venture or technology transfer or a trademark agreement in such industry where the foreign investor's investment in the existing joint venture is less than 3% or where the existing joint venture is defunct or sick.

A Non-Resident of India may transfer equity shares held by him to a person resident in India by way of a gift. Pursuant to Press Note 4 (2006 Series) dated February 10, 2006, the Government has permitted transfer of shares from residents to non-residents, including acquisition of shares in an existing company, under the automatic route in the financial services sector; in cases where the Takeover Code is attracted; and in cases where approvals are required from the Insurance Regulatory and Development Authority.

Any Non-Resident seeking to sell equity shares on one of the stock exchanges or sell or transfer equity shares to a resident of India should seek advice from Indian legal advisers as to the applicable requirements. If any approval is required, the Company cannot guarantee that any approval will be obtained in a timely manner or at all. Because of possible delays in obtaining requisite approvals, investors in the equity shares may be prevented from realizing gains during periods of price increases or limiting losses during periods of price declines.

DESCRIPTION OF THE SHARES

Set forth below is certain information relating to our share capital, including a brief summary of some of the provisions of our Memorandum and Articles of Association, the Companies Act and certain related legislation of India, all as currently in effect.

General

The authorized share capital of our Company is Rs.250,000,000 comprising of 20,000,000 Equity Shares of Rs. 10/- each and 500,000 Redeemable Preference Shares of Rs. 100/- each.

Dividends

Under the Companies Act unless the Board of Directors recommends the payment of a dividend, the shareholders at a general meeting have no power to declare any dividend. The shareholders at a general meeting may declare a lower, but not higher, dividend than that recommended by the Board of Directors. Dividends are generally declared as a percentage of the par value (paid up value). The dividend recommended by the Board of Directors and approved by the shareholders at a general meeting is distributed and paid to shareholders in proportion to the paid-up value of their Equity Shares on the record date for which such dividend is payable. In addition, as is permitted by the Articles of Association, the Board of Directors may recommend and pay interim dividends. Article 163 of Articles of Association of our Company provides that our Company in General Meeting may declare dividends to be paid to Members according to their respective rights, however the dividends cannot exceed the amount recommended by our Board of Directors. Our Company in General Meeting may declare a smaller dividend. Under the Companies Act, dividends can only be paid in cash to shareholders listed on the register of shareholders on the date which is specified as the “record date” or “book closure date” or to those shareholders keeping their shares in dematerialised form, a list of which is provided by National Securities Depositary Limited and Central Depositary Services (India) Limited. No shareholder is entitled to a dividend while any lien in respect of unpaid calls on any of his Shares is outstanding. (However, dividend can be adjusted by the company against unpaid amount of call).

Under the Companies Act, dividends must be paid out of the (distributable) profits of our Company in the year in which the dividend is declared or out of the undistributed (distributable) profits of previous fiscal years. Our Company is also required to set aside certain prescribed amounts for its statutory reserves. Before declaring a dividend greater than 10.0% of the par value of the Equity Shares, our Company is required under the Companies Act to transfer to its reserves a minimum percentage of its profits for that year, ranging from 2.50% to 10.0%, depending on the dividend percentage to be declared in such year. Dividends may also be declared and paid out of the accumulated profits in compliance with the provisions of the Companies (Declaration of Dividend out of Reserves) Rules, 1975. The Companies Act further provides that, in the event of an inadequacy or absence of profits in any year, the dividend may be declared for such year out of our Company’s accumulated profits subject to the following conditions:

- the rate of dividend to be declared must not exceed 10.0% of our Company’s paid up capital or the average of the rate at which dividends were declared by our Company in the previous five years immediately preceding that year, whichever is less; and
- the total amount to be drawn from the accumulated profits earned in the previous years and transferred to the reserves must not exceed an amount equivalent to 10.0% of our Company’s paid up capital and free reserves, and the amount so drawn is to be used first to set off the losses incurred in the fiscal year before any dividends in respect of preference or equity shares may be declared; and
- the balance of reserves after withdrawals must not fall below 15.0% of our Company’s paid up capital.

Any dividend declared is required to be deposited in a separate bank account within five days from the date of the declaration of such dividend. Dividends must be paid within 30 days from the date of the declaration and any dividend which remains unpaid or unclaimed after that period must be transferred within seven days to a special unpaid dividend account held at a scheduled bank. Any money which remains unpaid or unclaimed for seven years from the date of such transfer must be transferred by our Company to the Investor Education and Protection Fund established by the GoI pursuant to which no claim shall lie against our Company or the said Fund. Directors may be held criminally liable for any default of the aforementioned provisions. Article 172 of our Articles of Association provides that in the event of dividends are unclaimed for a period of one year after having declared, the Board may invest or use the unclaimed dividend for the benefit of our Company until claimed. All dividends unclaimed on becoming barred by law may be forfeited by our Board of Directors for the benefit of our Company. Article 173 of our Articles of Association provides that the unpaid dividend shall not bear any interest as against our Company. The Articles of Association authorize the Directors of our Company to pay from time to time to the members of our Company such interim dividends as in their judgment the position of our Company justifies.

The Equity Shares to be issued in connection with the Issue shall qualify for any dividend that is declared in respect of the financial year in which they have been allotted.

Capitalization of Profits

Article 175(a) of our Articles of Association provides that our Company in general meeting may resolve that it is desirable to capitalize any moneys, investments or other assets forming a part of the undivided profits of our Company standing to the credit of any of our Company's reserve accounts or to the credit of the profit and loss account or any capital redemption reserve account or in the hands of our Company and available for dividend or representing premium received on the issue of shares and standing to the credit of the share premium account be capitalized and distributed amongst such of the shareholders as would be entitled to receive the same if distributed by way of dividend and in the same proportions on the basis that they become entitled thereto as capital and that all or any part of such capitalized fund shall not be paid in cash but shall be applied on behalf of such shareholders subject to the following either in or towards:

- paying up any amounts for the time being unpaid on any issued shares or debentures or debenture-stock and such distribution or payment shall be accepted by such shareholders in full satisfaction;
- Paying up in full either at par as may be resolved, unissued shares or debentures or debenture-stock of our Company to be allotted and distributed,

The proviso to the aforesaid Article provides that a share premium account and a capital redemption reserve account may, for the purposes of this regulation, only be applied in the paying up of the unissued shares to be issued to the members of the Company as fully paid bonus shares.

Article 175(b) of our Articles of Association states that the shareholders of our Company may resolve that any surplus moneys arising from the realisation of any capital assets of our Company, of any investments representing the same or any other undistributed profits of our Company not subject to charge for income tax be distributed among the members on the same footing that they receive the same as capital.

Article 175 (c) of our Articles of Association states that for the purpose of giving effect to any resolution as mentioned in Article 175(a) and Article 175(b), the Board of Directors may make any distributions and generally do all acts and things required to give effect thereto. The Board of Directors may make such provision, by the issue of fractional certificates, fix the value for distribution of any specific assets, and may determine payment in cash to any member of our Company at the fixed value or that fraction of less value than Rs.10/- be disregarded in order to adjust the rights of all parties and to vest cash and specific assets in trustees upon such trust for the person entitled to the dividend or the capitalised fund. The Board of Directors may authorise any person to enter, on behalf of the members entitled thereto, into an agreement with the Company providing for the allotment to them respectively, credited as fully paid up, of any further shares to which they may be entitled upon such capitalization, or (as they may require) for the payment by the Company on their behalf, by the application thereto of their respective proportions of the profits resolved to be capitalized, of the amounts or any part of the amounts remaining unpaid on their shares. Any agreement made under such authority shall be effective and binding on all such members.

Any issue of bonus shares would be subject to the guidelines issued by SEBI in this regard. The relevant SEBI guidelines prescribe that no company shall, pending conversion of convertible securities, issue any shares by way of bonus unless a similar benefit is extended to the holders of such convertible securities, through a proportionate reservation of shares. Further, in order to issue bonus shares a company should not have defaulted in the payment of interest or principal in respect of existing debentures. The declaration of bonus shares in lieu of a dividend cannot be made. A bonus issue may be made out of free reserves built out of genuine profits or share premium collected in cash and not from reserves created by revaluation of fixed assets.

The issue of bonus shares must take place within six months from the date of approval by the Board of Directors or the shareholders, whichever is later.

Pre-emptive Rights and Alteration of Share Capital

Article 3A of our Articles of Association provides that the Board shall confer on the holders of the redeemable cumulative preference shares certain rights and privileges.

Article 4 of our Articles of Association provides that our Company may by ordinary resolution in a general meeting from time to time increase the share capital by such sum, to be divided into shares of such amount as may be specified in the resolution. Subject to the provisions of the Companies Act, the general meeting shall resolve for the rights and privileges annexed to any of the shares of the original or increased capital issued. The Board of Director of our Company may also determine the same, if the general meeting does not resolve the same.

Article 6 provides that subject to the provisions of Section 80 of the Companies Act, our Board of Directors shall have the power to issue preference shares at such time and in such manner as they may deem fit as redeemable cumulative preference shares and shall confer rights and privileges as mentioned in the aforesaid Article 3A.

Article 9 provides that our Company by the ordinary resolution may from time to time do the following:

- consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares;

- sub-divide its shares, or any of them, into shares of a smaller amount than is fixed by the memorandum; subject, nevertheless to the provisions of clause (d) of sub-section (1) of section 94 of the Companies Act.

- cancel shares which, at the date of the passing of the resolution in that regard, have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled. A cancellation of shares in pursuance of this clause shall not be deemed to be a reduction of share capital within the meaning of the Companies Act.

With respect to reduction of share capital, Article 8 of our Articles of Association states that subject to Section 78, Section 80, Section 100 to Section 105 of the Companies Act, our Company may by special resolution subject to any incident authorized and consent required by law, reduce its share capital, any capital redemption reserve account or any share premium account in any manner for the time being authorised and consent required by law and in particular capital may be called up again or otherwise.

Article 23 of our Articles of Association provides that except as provided in Section 77 of the Companies Act, 1956, none of the funds of our Company shall be applied in the purchase or in connection with the subscription of shares of our Company or any holding company. This article will not affect the right of the Company to redeem shares under Section 80 of the Companies Act.

Article 22(a) of our Articles of Association authorises our Company to dematerialize or rematerialize its securities held in the depositories and/ or to offer its fresh securities in the dematerialised form.

Article 22(b) of our Articles of Association provides that every person subscribing to securities offered by our Company shall have the option to receive security certificate or to hold securities with a depository and shall be considered as a beneficial owner of the securities. If a person opts to hold his securities in the dematerialized form then the Company shall intimate the depository, the details of allotment of such person.

Subject to Article 98, Article 98 A stipulates that a depository shall be deemed to be the registered owner for the purpose of affecting transfer of ownership of security on behalf of the beneficial owner. The depository shall not have any voting or other rights in respect of the securities held by it. Every person holding securities of the Company and whose name is entered as the beneficial owner in the records of the depository shall be deemed to be a member of the Company and shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities which are held by a depository. The register and index of beneficial owners maintained by a depository under the Depositories Act, 1996 shall be deemed to be the register and index of members and security holders for the purpose of the Articles.

Meetings of Shareholders

Article 77 of our Articles of Association states that our Company shall, subject to the provisions contained in Sections 166 and 210 of the Companies Act, hold a general meeting as its Annual General Meeting (AGM). All general meetings other than the AGM shall be called Extraordinary General Meetings . The first AGM shall be held within eighteen months from the date of incorporation and subsequent at the intervals and in accordance with the provisions specified below:

- The AGM shall be held by our Company within six months after the expiry of each financial year.
- Not more than fifteen months shall elapse between the date of one AGM and that of the next, unless the Registrar of Companies shall have for any special reasons extended the time for holding any AGM for a period not exceeding six months.
- Every AGM shall be called for a time during the business hours on a day that is not a public holiday and shall be held either at the Registered Office of our Company or at some other place within the city, town or village in which the registered office of our Company is situated and the notices calling the meeting shall specify it as the 'Annual General Meeting'.

Article 78 provides that our Board of Directors, whenever it thinks fit, call an Extra Ordinary General Meeting and it shall do so upon a requisition in writing by any member holding in aggregate not less than one-tenth of such of paid up capital of our Company as at that date carries the right to voting in regard to the matter in which the requisition was made.

Article 81 further provides that any meeting called by the requisitions shall be called in the same manner, as nearly as possible, as that in which such a meeting may be called by our Board of Directors.

Article 85 of our Articles of Association states that five members have to be present in person to constitute a quorum for a general meeting.. Article 86 further stipulates that in case of any member which is body corporate if it is represented by a duly appointed representative who is entitled to vote on its behalf, such representatives shall be considered to be a member who is present in person.

Article 88 of our Articles of Association provides the Chairman of the Board of Directors shall preside as Chairman at every general meeting of the Company. If there is no chairman or if he is not present within fifteen minutes of the appointed time of holding the meeting or is unwilling to act as Chairman of the meeting then the members present shall elect one of their numbers to be the Chairman of the meeting. It further states that if at any meeting no director is willing to act as a chairman or if no director is present within fifteen minutes of the appointed time of holding the meeting, then the members present shall elect one of their numbers to be the Chairman of the meeting. Article 89 further provides that no business shall be discussed at any general meeting except the election of a Chairman, whilst the chair is vacant.

Article 90 of our Articles of Association states that the Chairman may, with the consent of the members may adjourn the meeting from time to time and from place to place. At the adjourned meeting no business other than the unfinished business shall be transacted.

Article 92 of our Articles of Association stipulates that in the case there is an equality of votes whether on show of hands or on a poll the Chairman of the meeting shall be entitled to a second or casting vote in addition to the vote or votes to which he may be entitled as a member.

Article 93 of our Articles of Association states that a poll may be demanded to be taken at such time (nor later than forty eight hours from the time when the demand was made) and place in the city or town in which the office of our Company is for the time being situate and either by open voting or ballot, as the Chairman shall direct and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The demand for poll may be withdrawn at any time by the person who made the demand.

Article 96 of our Articles of Association states that demand for a poll shall not prevent transaction of other business except on the question of the Chairman and of an adjournment other than the question on which the poll has been demanded.

Voting Rights

Article 97 of our Articles of Association provides that no member shall be entitled to vote either personally or by proxy at any general meeting or meeting of a class of shareholders by following modes, -

- on a show of hands; or
- on a poll in respect of any shares registered in his name on which any calls or other sums presently payable by him is unpaid or our Company has exercised the right of lien.

Article 98 provides that without prejudice to any special rights and privileges or restrictions as to voting for the time being attached to any class of shares for the time being forming part of the capital of our Company, every member not disqualified under Article 97 be entitled to speak and vote at such meeting in the following manner:

- on a show of hands, every member present in person shall have one vote; and

- on a poll, the voting rights of every member present in person or by proxy shall be in proportion to his share of the paid up equity share capital of our Company.

The proviso states that if any preference shareholder be present at any meeting of our Company, save as provided in Section 887(2)(b), he shall have a right to vote only on resolution placed before the meeting which directly affects the rights attached to his preference shares.
Article 101 of our Articles of Association states that in the case of joint registered holders of any shares, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such shares as if he where solely entitled thereto; and if more than one of such joint- holders be present at any meeting, personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of such share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased member in whose name any shares stands shall for the purpose of this article be deemed joint-holder thereof

Article 100 of our Articles of Association provides that if the member is of unsound mind then in that case his committee or legal guardian may vote by way of a proxy whether on a show of hands or on a poll. If any member is a minor the vote in respect of his share or shares shall be by his guardian, or guardians, as the case may be and the Chairman will select the guardian in case of any dispute. Article 127 further provides that no objection for the qualification of any voter shall be raised except at the meeting or adjourned meeting at which the vote objected to is given or tendered and every vote not disallowed at such meeting shall be void for all purposes. All such objections shall be made to the Chairman of the meeting, whose decision shall be final and conclusive.

Article 107 of our Articles of Association states that the instrument appointing a proxy and the power of attorney or other authority, if any, under its signed or the notarially certified copy of the power of authority, shall be deposited at the registered office of the Company, not less than 48 hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of twelve months from the date of execution.

Article 102 of our Articles of Association stipulates that a body corporate, whether a Company within the meaning of the Companies Act or not which is a member of this Company, may, vote either by proxy or by a representative duly authorised and representative shall be entitled to exercise the same powers on behalf of the Company which he represents, as if he were an individual shareholder of this Company.

Article 108 further stipulates that an instrument appointing a proxy shall be in either of the forms in Schedule IX to the Companies Act or a form as near thereto as circumstances admit.

Article 109 of our Articles of Association states a vote given in accordance with the terms of an instrument of proxy shall be valid, not with standing the previous death or insanity of the principle or the revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the shares in respect of which the proxy is given; provided that no intimation in writing of such death, insanity, revocation or transfer shall have been received by our Company at its office before the commencement of the meeting or adjourned meeting at which the proxy is used.

Ordinary resolutions may be passed by simple majority of those present and voting. Special resolutions require that the votes cast in favour of the resolution must be at least three times the votes cast against the resolution. The Companies Act provides that to amend the Articles of Association, a special resolution is required to be passed in a general meeting.

The Companies Act allows us to issue shares with differential rights as to dividend, voting or otherwise, subject to certain conditions. In this regard, the law requires that for a company to issue shares with differential voting rights the company must have had distributable profits for a period of three financial years and the company must not have defaulted in filing annual accounts and annual returns for the immediately preceding three years.

Modification of Rights

Article 10 provides that whenever the capital, by reason of the issue of preference share or otherwise, is divided into different classes of shares, all or nay of the rights and privileges attached to each class may subject to the provisions of Sections 106 and 107 of the Companies Act be modified commuted, affected or abrogated, or dealt with by agreement between our Company and any person purporting to contract on behalf of that class, provided the said agreement is ratified in writing by holders of three-fourths in nominal value of the issued shares of that class or confirmed by a special resolution passed at a separate general meeting of the holders of that class of shares.

Register of Shareholders and Record Dates

We are obliged to maintain a register of shareholders at our registered office or at some other place in the same city. We recognize as shareholders only those persons who appear on the register of shareholders and cannot recognize any person holding any share or part of it upon any express, implied or constructive trust, except as permitted by law. In the case of shares held in physical form, transfers of shares are registered on the register of shareholders upon lodgement of the share transfer form duly complete in all respects accompanied by a share certificate or, if there is no certificate, the letter of allotment in respect of shares transferred together with duly stamped transfer forms. In respect of electronic transfers, the depository transfers shares by entering the name of the purchaser in its books as the beneficial owner of the shares. In turn, the name of the depository is entered into the company's records as the registered owner of the shares. The beneficial owner is entitled to all the rights and benefits as well as the liabilities with respect to the shares.

For the purpose of determining the shareholders, the register may be closed for periods not exceeding 45 days in any one year or 30 days at any one time at such times as the Board of Directors may deem expedient in accordance with the provisions of the Companies Act. Under the listing agreements of the Stock Exchanges on which our Company's outstanding shares are listed, our Company may, upon at least 15 days' advance notice to such Stock Exchanges, set a record date and/or close the register of shareholders in order to ascertain the identity of shareholders. The trading of shares and the delivery of certificates in respect thereof may continue while the register of shareholders is closed.

Under the Companies Act, our Company is also required to maintain a register of debenture holders.

Annual Report and Financial Results

Article 178 of our Articles of Association provides that that the Directors shall from time to time in accordance with the provisions of the Companies Act cause to be prepared annual report, balance sheets and profit and loss accounts and laid before our Company in General Meeting . The report includes financial information, a corporate governance section and management's discussion and analysis and is sent to our Company's shareholders.

Under the Companies Act we must file the annual report with the Registrar of Companies within six months from the close of the accounting year or within 30 days from the date of the AGM, whichever is earlier. As required under our listing agreements, copies are required to be simultaneously sent to the Stock Exchanges. We must also publish our financial results in at least one English language daily newspaper circulating in the whole or substantially the whole of India and also in a newspaper published in the language of the region of our registered office.

Our Company files certain information on-line, including its annual report, six-month and quarterly financial statements and the shareholding pattern statement, in accordance with the requirements of the listing agreements and as may be specified by the SEBI from time to time.

Transfer of Shares

Equity Shares held through depositories are transferred in the form of book entries or in electronic form in accordance with SEBI regulations. These regulations provide the regime for the functioning of the depositories and their participants and set out the manner in which the records are to be kept and maintained and the safeguards to be followed in this system. Transfers of beneficial ownerships of shares held through a depository are exempt from stamp duty.

SEBI requires that for trading and settlement purposes shares should be in book-entry form for all investors, except for transactions that are not made on a stock exchange and transactions that are not required to be reported to the Stock Exchanges.

Except as provided herewith, the Equity Shares are freely transferable, subject to the provisions of the Companies Act under which, if a transfer of shares contravenes the SEBI provisions or the regulations issued under it or the SICA, or any other similar law, our Company Law Board may, on an application made by the company, a depository incorporated in India, an investor, SEBI or other parties, direct a rectification of the register of records. If a company without sufficient cause refuses to register a transfer of shares within two months from the date of which the instrument of transfer is delivered to the company, the transferee may appeal to the Company Law Board seeking to register the transfer. The Company Law Board may, in its discretion, issue an interim order suspending the voting rights attached to the relevant shares before completing its investigation of the alleged contravention. Under the Companies (Second Amendment) Act 2002, the Company Law Board will be replaced with the National Company Law Tribunal. Further, under the Sick Industrial Companies (Special Provisions) Repeal Act 2003, the SICA is sought to be repealed and the board of Industrial and Financial Reconstruction, as constituted under the SICA, is to be replaced with the National Company Law Tribunal, set up under the Companies Act.

Pursuant to the listing agreements with the relevant Stock Exchanges, in the event that a transfer of shares is not affected within one month or where the transferor has failed to communicate to the transferee any valid objection to the transfer within the stipulated time period of one month, the transferor is required to compensate the aggrieved party for the opportunity loss caused by the delay.

The Companies Act provides that shares or debentures of a public listed company (like ours) shall be freely transferable. However, our Articles of Association provide for certain restrictions on the transfer of shares, including granting power to the Board of Directors in certain circumstances to refuse to register or acknowledge transfer of shares or other securities issued by us. .

A transfer may also be by transmission. Subject to the provisions of our Company's Articles of Association, any person becoming entitled to shares in consequence of the death, lunacy, bankruptcy or insolvency of any member or by any lawful means other than by a transfer in accordance with these presents, may, with the consent of the Board of Directors, upon producing such evidence that he sustains the character in respect of which he proposes to act under the Article, or his title, as the Board of Directors thinks sufficient, be registered as a member in respect of such shares, or may, subject to the regulations as to transfer contained in the Articles of Association, transfer such shares.

Acquisition by our Company of its own Shares

A company is prohibited from acquiring its own shares unless the consequent reduction of capital is effected by an approval of at least 75.0% of its shareholders, voting on it in accordance with the Companies Act and sanctioned by the High Court of competent jurisdiction. Subject to certain conditions, a company is prohibited from giving, whether directly or indirectly and whether by means of loan, guarantee, and provision of security or otherwise, any financial assistance for the purpose of or in connection with a purchase or subscription made or to be made by any person for any shares in the company or its holding company. However, pursuant to certain amendments to the Companies Act a company has been empowered to purchase its own shares or other specified securities out of its free reserves, the securities premium account, the proceeds of any shares or other specified securities (other than the kind of shares or other specified securities proposed to be bought back) subject to certain conditions, including:

- the buy-back should be authorized by the Articles of Association of the company;
- a special resolution has been passed by postal ballot authorizing the buy-back;
- the buy-back is limited to 25.0% of the total paid-up capital and free reserves;
- the debt owed by the company is not more than twice capital and free reserves after such buy-back;
- the buy-back is in accordance with the Securities and Exchange Board of India (Buy-Back of Securities) Regulations 1998.

The second condition mentioned above would not be applicable if the buy-back is for less than 10.0% of the total paid-up equity capital and free reserves of the company and provided that such buy-back has been authorized by the company's board. A company buying back its securities is required to extinguish and physically destroy the securities so bought back within seven days of the last date of completion of the buy-back. Further, a company buying back its securities is not permitted to buy back any securities for a period of one year from the buy-back or to issue securities for six months.

A company is also prohibited from purchasing its own shares or specified securities through any subsidiary company including its own subsidiary companies or through any investment company. Further a company is prohibited from purchasing its own shares or specified securities, if the company is in default in the repayment of deposit or interest, redemption of debentures or preference shares, in payment of dividend to a shareholder, in repayment of any term loan or interest payable thereon to any financial institution or bank or in the event of non-compliance with certain other provisions of the Companies Act.

Liquidation Rights

Subject to the rights of creditors, of employees and holders of any other shares entitled by their terms of issue to preferential repayment over the Equity Shares, in the event of winding up of our Company, the holders of the shares are entitled to be repaid the amounts of capital paid-up or credited as paid-up on such shares. All surplus assets after payments due to employees, the holders of any preference shares and other creditors belong to the holders of the Equity Shares in proportion to the amount paid-up or credited as paid-up on such shares respectively at the commencement of the winding-up.

In case assets available are insufficient to repay the whole of the paid up capital, the assets shall be so distributed such that the losses are borne to the extent possible by the shareholders in the ratio of capital contributed. In case any of the shares involve a liability to call or otherwise, any person may, within ten days after the passing of the resolution, by notice in writing direct the liquidators to sell his portion and pay him the net proceeds and the liquidator shall, if practicable, act accordingly.

The division of assets on winding up, if thought expedient, may subject to the provisions of the Companies Act be otherwise than in accordance with the legal rights of the contributories (except when unalterably fixed by our Memorandum) and in particular, any class may be given preferential or special rights which may be excluded altogether or in part but any contributory who is prejudiced by the same have a right to dissent and possess ancillary rights as though such determination were a special resolution under Section 494 of the Companies Act.

TAXATION

The information provided below sets out the possible tax benefits available to the shareholders in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of equity shares, under the current tax laws presently in force in India. It is not exhaustive or comprehensive and is not intended to be a substitute for professional advice. Investors are advised to consult their own tax consultant with respect to the tax implications of an investment in the Equity Shares particularly in view of the fact that certain recently enacted legislation may not have a direct legal precedent or may have a different interpretation on the benefits, which an investor can avail.

YOU SHOULD CONSULT YOUR OWN TAX ADVISORS CONCERNING THE INDIAN TAX IMPLICATIONS AND CONSEQUENCES OF PURCHASING, OWNING AND DISPOSING OF EQUITY SHARES IN YOUR PARTICULAR SITUATION.

As per the taxation laws in force, the tax benefits / consequences as applicable, to the Qualified Institutional Investors (not being individuals or HUFs) investing in the Equity Shares are stated as follows:

1. Benefits available to resident shareholders

1.1 Dividends exempt under Section 10(34)

Dividends (whether interim or final) declared, distributed or paid by the Company are exempt in the hands of shareholders as per the provisions of Section 10(34) of the Income Tax Act, 1961 (" the Act").

1.2 Computation of capital gains

1.2.1. Capital assets may be categorized into short term capital assets and long term capital assets based on the period of holding. Shares in a company, listed securities or units of UTI or units of mutual fund specified under section 10 (23D) of the Act or zero coupon bonds will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as "long term capital gains". Capital gains arising on sale of these assets held for 12 months or less are considered as "short term capital gains".

1.2.2. Section 48 of the Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition / improvement and expenses incurred in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, in respect of long term capital gains, it offers a benefit by permitting substitution of cost of acquisition / improvement with the indexed cost of acquisition / improvement, which adjusts the cost of acquisition / improvement by a cost inflation index as prescribed from time to time.

1.2.3. As per the provisions of Section 112 of the Act, long term gains as computed above that are not exempt under section 10(38) of the Act would be subject to tax at a rate of 20 percent (plus applicable surcharge and various education cesses). However, as per the proviso to Section 112(1), if the tax on long term capital gains resulting on transfer of listed securities or units or zero coupon bonds calculated at the rate of 20 percent with indexation benefit exceeds the tax on long term gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable surcharge and various education cesses).

1.2.4. Gains arising on transfer of short term capital assets are currently chargeable to tax at the rate of 30 percent (plus applicable surcharge, education cess and secondary higher education cess) at the discretion of assessee. However, as per the provisions of section 111A of the Act, short-term capital gains of equity shares on or after 1st October, 2004, where the transaction of sale is chargeable to STT shall be subject to tax at a rate of 15 percent (plus applicable surcharge, education cess and secondary higher education cess).

1.2.5. Exemption of capital gain from income tax

- Under section 10 (38) of the Act, long term capital gains arising out of sale of equity shares or a unit of equity oriented fund will be exempt from tax provided that the transaction of sale of such equity shares or unit is chargeable to Securities Transaction Tax ("STT").
- According to the provisions of sections 54EC of the Act and subject to the conditions specified therein, long term capital gains not exempt under section 10 (38) shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. If only the part of capital gain is so reinvested, the exemption shall be allowed proportionately. In such a case, the cost of such long term specified assets will not qualify for deduction under section 80C of the Act. However, if the said bonds are transferred or converted into money within a period of three years from the date of their acquisition the amount of capital gain exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money. Provided that investments made on or after 1st April 2007, in the said bonds should not exceed fifty lakh rupees.
- According to the provisions of section 54F of the Act and subject to the conditions specified therein, in the case of an individual or a Hindu Undivided Family ('HUF'), gains arising on transfer of a long term capital asset (not being a residential house) are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If only a part of such net consideration is invested within the prescribed period in a residential house, the exemption shall be allowed proportionately. In order to claim benefit, the individual or HUF should not own more than one residential house on the date of transfer. For the purpose of this section, net consideration means full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer. Further, if the residential house in which the investment has been made is transferred within a period of three years from the date of its construction, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred. Further thereto, if the individual purchases within a period of two years or constructs within a period of three years after the date of transfer of the long term capital asset, any other residential house, other than the residential house referred to above, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is purchased or constructed.

1.3 Deduction in respect of Securities Transaction Tax paid against Business Income

Under Section 36 (1) (xv) of the Act, the amount of Securities Transaction Tax paid by an assessee in respect of taxable securities transactions offered to tax as "Profits and gains of Business or profession" shall be allowable as a deduction against such Business Income

2. Benefits available to Non-residents (other than FIIs and Foreign Venture Capital Investors):

2.1 Dividends exempt under Section 10(34)

Dividends (whether interim or final) declared, distributed or paid by the Company u/s 115-O are exempt in the hands of shareholders as per the provisions of Section 10(34) of the Act.

2.2 Computation of capital gains

2.2.1. Capital assets may be categorized into short term capital assets and long term capital assets based on the period of holding. Shares in a company, listed securities or units of UTI or units of mutual fund specified under section 10 (23D) of the Act or zero coupon bonds will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as "long term capital gains". Capital gains arising on sale of these assets held for 12 months or less are considered as "short term capital gains".

2.2.2. Section 48 of the Act contains special provisions in relation to computation of capital gains on transfer of an Indian company's shares by non-residents. Computation of capital gains arising on transfer of shares in case of non-residents has to be done in the original foreign currency, which was used to acquire the shares. The capital gain (i.e., sale proceeds less cost of acquisition/ improvement) computed in the original foreign currency is then converted into Indian Rupees at the prevailing rate of exchange. Benefit of indexation of costs is not available in the above case.

2.2.3. According to the provisions of section 112 of the Act, long term capital gains as computed above that are not exempt under section 10 (38) of the Act would be subject to tax at a rate of 20 percent (plus applicable surcharge, education cess and secondary higher education cess). In case investment is made in Indian Rupees, the long-term capital gains that are not exempt u/s. 10(38) of the Act are to be computed after indexing the cost.

2.2.4. However, as per the proviso to section 112 (1) (c), if the tax on long term gains resulting on transfer of listed securities or units or zero coupon bond, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long term gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable surcharge, education cess and secondary higher education cess).

2.2.5. Gains arising on transfer of short term capital assets are currently chargeable to tax at the rate of 30 percent (plus applicable surcharge, education cess and secondary higher education cess) at the discretion of assessee. However, as per the provisions of section 111A of the Act, short-term capital gains of equity shares where the transaction of sale is chargeable to STT shall be subject to tax at a rate of 15 percent (plus applicable surcharge, education cess and secondary higher education cess).

2.2.6. Exemption of capital gain from income tax

- Under section 10(38) of the Act, long term capital gains arising out of sale of equity shares or units of equity oriented fund will be exempt from tax provided that the transaction of sale of such equity shares or units is chargeable to STT.
- According to the provisions of section 54EC of the Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. If only part of the capital gain is so reinvested, the exemption shall be allowed proportionately. Provided that investments made on or after 1st April 2007, in the said bonds should not exceed fifty lakh rupees. In such a case, the cost of such long term specified asset will not qualify for deduction under section 80C of the Act.
- However, if the assessee transfers or converts the notified bonds into money within a period of three years from the date of their acquisition, the amount of capital gains exempt earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.
- According to the provisions of section 54F of the Act and subject to the conditions specified therein, in the case of an individual or a HUF, gains arising on transfer of a long term capital asset (not being a residential house) are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If only a part of such net consideration is invested the prescribed period in a residential house, the exemption shall be allowed proportionately. In order to claim benefit, the individual or HUF should not own more than one residential house on the date of transfer. For the purpose of this section, net consideration means full value of the consideration received or accrued as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer. Further, if the residential house in which the investment has been made is transferred within a period of three years from the date of its construction, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred. Further thereto, if the individual purchases within a period of two years or constructs within a period of three years after the date of transfer of the long term capital asset, any other residential house, other than the residential house referred to above, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is purchased or constructed.

2.3 Deduction in respect of Securities Transaction Tax paid against Business Income

Under Section 36 (1) (xv) of the Act, the amount of Securities Transaction Tax paid by an assessee in respect of taxable securities transactions offered to tax as “Profits and gains of Business or profession” shall be allowable as a deduction against such Business Income.

2.4 Provisions of the Act vis-à-vis provisions of the tax treaty

As per Section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the relevant tax treaty to the extent they are more beneficial to the non-resident.

3. Benefits available to Foreign Institutional Investors (‘FIIs’)

3.1 Dividends exempt under section 10(34)

Dividends (whether interim or final) declared, distributed or paid by the Company are exempt in the hands of shareholders as per the provisions of section 10(34) of the Act.

3.2 Taxability of capital gains

3.2.1 Under section 10 (38) of the Act, long term capital gains arising out of sale of equity shares or units of equity oriented fund will be exempt from tax provided that the transaction of sale of such equity shares or units is chargeable to STT. However, such income shall be taken into account in computing the book profits under section 115JB.

3.2.2 The income by way of short term capital gains or long term capital gains [in case not covered under section 10 (38) of the Act] realized by FII’s on sale of the shares of the Company would be taxed at the following rates as per section 115AD of the Act.

- Short term capital gains, other than those referred to under section 111A of the Act shall be taxed @ 30% (plus applicable surcharge, education cess and secondary higher education cess).
- Short term capital gains, referred to under section 111A of the Act shall be taxed @ 15% (plus applicable surcharge, education cess and secondary higher education cess).
- Long term capital gains @10% (plus applicable surcharge, education cess and secondary higher education cess) (without cost indexation).

It may be noted that the benefits of indexation and foreign currency fluctuation protection as provided by section 48 of the Act are not applicable.

3.2.3 According to provisions of section 54EC of the Act and subject to the condition specified therein, long term capital gains not exempt under section 10(38) shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. If only part of the capital gain is so reinvested, the exemption shall be allowed proportionately. Provided that investments made on or after 1st April 2007, in the said bonds should not exceed fifty lakh rupees.

3.2.4 However, if the assessee transfers or converts the notified bonds into money within a period of three years from the date of their acquisition, the amount of capital gains exempt earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.

3.2.5 Further the tax benefits related to capital gains are subjected to the CBDT circular no. 4/2007 dated 15th June 2007, and on fulfillment of criteria laid down in the circular, the Company will be able to enjoy the consessional benefits of taxation on capital gains.

3.3 Provisions of the Act vis-à-vis provisions of the tax treaty

As per Section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the relevant tax treaty to the extent they are more beneficial to the non-resident.

4. Benefits available to Mutual Funds

As per the provisions of Section 10(23D) of the Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made thereunder, Mutual Funds set up by public sector banks or public financial institutions and Mutual Funds authorized by the Reserve Bank of India would be exempt from income tax, subject to the conditions as the Central Government may by notification in the Official Gazette specify in this behalf.

5. Benefits to the Venture Capital Companies/ Funds

As per the provisions of section 10(23FB) of the Act, any income of Venture Capital Companies/ Funds (set up to raise funds for investment in a venture capital undertaking registered and notified in this behalf) registered with the Securities and Exchange Board of India, would be exempt from income tax, subject to the conditions specified therein. However, the exemption is restricted to the Venture Capital Company and Venture Capital Fund set up to raise funds for investment in a Venture Capital Undertaking, which is engaged in the business as specified under section 10(23FB)(c). However, the income distributed by the Venture Capital Companies/ Funds to its investors would be taxable in the hands of the recipients.

6. Tax Treaty benefits

An investor has an option to be governed by the provisions of the Act or the provisions of a Tax Treaty that India has entered into with another country of which the investor is a tax resident, whichever is more beneficial.

7. Benefits available under the Wealth-tax Act, 1957

Asset as defined under Section 2(ea) of the Wealth tax Act, 1957 does not include Equity Shares in companies and hence, Equity Shares are not liable to wealth tax.

8. Benefits available under the Gift-Tax Act, 1958

Gift of shares of the Company made on or after October 1, 1998 are not liable to Gift Tax.

The above Statement sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of Equity Shares held as investment (and not as stock in trade). The statements made above are based on the tax laws in force and as interpreted by the relevant taxation authorities as of date. Investors are advised to consult their tax advisors with respect to the tax consequences of the purchase, ownership and disposal of equity shares.

LEGAL PROCEEDINGS

Except as described below, we and our subsidiaries have not been involved in any legal proceedings, and no proceedings are threatened, which may have, or have had, during the 12 months preceding the date of this Placement Document, a material adverse effect on the business, properties, financial condition or operations of our Company and our subsidiary, associates and joint ventures, taken as a whole. We do not believe that the number of proceedings in which we are involved is unusual for a company of our size in the context of doing business in India.

PART 1 – CONTINGENT LIABILITIES OF OUR COMPANY

As on March 31, 2008 contingent liabilities not provided for appearing in our financial statements aggregated Rs. 357.52 million. The following table gives the details of the nature of contingent liabilities:

(Rs in Million)

Particulars	March 31, 2008
Corporate guarantee given on behalf of subsidiary companies	356.00
Income tax matters under dispute	1.52

PART 2 – LITIGATION RELATING TO OUR COMPANY, MANAGEMENT AND SUBSIDIARIES

A. Cases filed against our Company:

SL. No.	Details of the Case		Brief Facts	Status
	Suit/Case No. filed before:	Parties		
1	O.S. No. 1380/ 2000 Before the City Civil Court at Bangalore	Mr. B. Raghavan v/s Dynamatic Technologies Limited	Our Company had terminated the employment of Mr. B. Raghavan and certain other employees on account of misappropriation of funds from our Company. Aggrieved by the same, Mr. B. Raghavan filed a civil suit against our Company seeking a declaration from court that the resignation letter issued by him was obtained under threat and coercion and seeking re-instatement of his employment.	The matter is presently under adjudication .The next date of hearing is on August 23, 2008
	O.S,. No. 1929/ 2002 Before the City Civil Court at Bangalore	Mr. B. Raghavan v/s Dynamatic Technologies Limited	Pursuant to the termination of employment of Mr. B. Raghavan, the employee has alleged that our Company has collected from him Rs. 1,72,000/- under coercion. Hence, Mr. B. Raghavan has filed a suit against our Company seeking that the Hon'ble Court direct our Company to pay a sum of Rs.1,72,000 alongwith interest.	The matter is presently under adjudication .The next date of hearing is on August 21, 2008
2	O.S. No. 1801/ 2002 Before the City Civil Court at Bangalore	Mr. N. Hanumanthiah v/s Dynamatic Technologies Limited	Our Company had terminated the employment of Mr. N. Hanumanthiah and certain other employees on account of misappropriation of funds from our Company. Mr. N. Hanumanthiah alleged that our Company has collected from him Rs. 80,000/- under coercion. Hence, Mr. N. Hanumanthiah has filed this suit against our Company seeking that the Hon'ble Court direct our Company to pay a sum of Rs.80,000 along with interest.	The matter is presently under adjudication .The next date of hearing is September 06, 2008.
3	Ref. No. 5 of	Between	Our Company had terminated the employment of	The matter is

	2005 Before the Addl. Labour Court, Bangalore	S. Kumar And The Management of Dynamatic Technologies Ltd.	Mr. S. Kumar and certain other employees on account of misappropriation of funds from our Company. Aggrieved by the decision of our Company, Mr. S. Kumar raised a dispute under the Industrial Disputes Act, 1947 and the same was registered as ID 69/2000. However, the dispute was dismissed as it was not within limitation period. Thereafter, Mr. S.Kumar approached the Labour Court alleging that his services were wrongfully terminated and seeking reinstatement of his employment along with back wages.	presently under adjudication .The next date of hearing is on August 18, 2008

B. Cases filed by the Company:

SL. No.	Details of the Case		Brief Facts	Status
	Suit/Case No. filed before:	Parties		
1.	O.S.No. 4310/2001 In the City Civil Court at Bangalore	Dynamatic Technologies Limited Vs. Aurum Engineers and others	The defendant is a firm engaged in the manufacture of drilling machines and such other equipment and had approached our Company for supply of hydraulic system for the purposes of their manufacturing activity. Accordingly, our Company supplied the hydraulic systems to the defendant and raised invoices on the defendant. Thereafter, an amount of Rs.1,57,090 was admitted to be payable to our Company from the defendants. However, the defendant had failed to make the payment the requisite payment. Hence our Company has filed this suit and claimed an amount of Rs.1,94,710 towards the amounts due, notice charges and interest.	The matter is presently under adjudication .The next date of hearing is on September 12, 2008
2.	O.S.No. 5092 /1999 In the City Civil Court at Bangalore	Dynamatic Technologies Limited Vs. Sitapur Plywoods Manufacturers Limited	The Defendant had issued 2 cheques amounting to Rs 3,06,931.20/- towards part payment of an invoice raised by our Company for the supply of products. . However, the said cheques were returned dishonoured. Our Company hence filed this suit against the defendant. As the defendant failed to appear before the court, the court was pleased to issue an ex-parte order in favour of our Company and directed the defendant to pay to our Company an amount of Rs.4,15,250 along with court costs and interest on 3,90,000 at 18% p.a.	Our Company has filed an execution petition before the court and the same is under process.

D. Legal Notices issued against our Company

Nil

E. Legal Notices issued by our Company

Nil

F. Cases filed against the Promoters and Directors

Nil

G. Cases filed by the Promoters and Directors

Nil

H. Cases filed against the Subsidiaries :

Nil

I. Cases filed by the Subsidiaries :

SL. No.	Details of the Case		Brief Facts	Status
	Suit/Case No. filed before:	Parties		
1.	O.S.No. 62/2004 In the City Civil Court, Senior Division, Doddaballapur	JKM Research Farm Ltd Vs. Mr. P. Annaiah	The defendant was an employee of the Plaintiff. Due to certain restrictions under law the Plaintiff could not obtain a registered sale deed in its favour pertaining to certain agricultural lands identified by the Plaintiff. Consequently, the defendant had purchased the agricultural lands for and on behalf of the Plaintiff with an understanding that the entire sale consideration payable by the defendant would be paid by the Plaintiff and that the same would be treated as an advance paid to him and that the defendant would then convey the property to the Plaintiff. The defendant also entered into an Agreement for Sale of the properties with the Plaintiff on April 2, 1999. Subsequently, the defendant and the family members informed the Plaintiff that the defendant did not intend to sell the property to the Plaintiff and have also stolen the original documents from the Plaintiff. In view of the above, the Plaintiff has filed this suit seeking specific performance of the agreement for sale and execution of conveyance deeds. In the alternative the Plaintiff has sought for the recover of Rs 32,80,000 paid to the defendant along with interest of 24% p.a. The court was also pleased to grant a temporary injunction restraining the defendant from alienating the properties pending disposal of the suit.	The matter is presently under adjudication .The next date of hearing is on August 22, 2008

INDEPENDENT ACCOUNTANTS

Our audited Financial Statements for Fiscal Years 2006, 2007 and 2008 were audited by Price Waterhouse & Co, Chartered Accountants, our Company's statutory auditors who have agreed to the inclusion of their audit report in this Placement Document.

INDIAN REGULATORY APPROVALS AND FILINGS

This Placement Document is a private document and it shall be provided to selected QIBs, through serially numbered copies, only.

The Placement Document shall be filed with the SEBI for its record within 30 days from the date of allotment of QIP Shares to the relevant QIBs.

GENERAL INFORMATION

Our Company was incorporated on March 07, 1973 as a public limited company under the name and style of M/s. Dynamatic Hydraulics Limited with the registration number being 2308 of 1973. We had obtained the Certificate for Commencement of Business on July 07, 1973. We changed our name to Dynamatic Technologies Limited on December 14, 1992. Consequent on Change of Name, a fresh Certificate of Incorporation was issued by the Registrar of Companies, Karnataka on December 28, 1992. The objects of our Company were altered during 1996 and 2001 and consequently certificates of registration of these alterations were issued on February 15, 1996 and March 02, 2001 respectively by the Registrar of Companies, Karnataka. Currently, the registered office of the Company is at Dynamatic Park, Peenya, Bangalore-560 058

In the year 1974, we made an initial public Issue and listed our shares on the BSE on September 03, 1974. Subsequently, we conducted five rights issues in the years 1981, 1984, 1986, 1992 and 1994..Our Company listed its shares on NSE on September 14, 2006 and on BgSE in 1974.Pursuant to a voluntary application by our Company dated January 03, 2005 to the BgSE, the BgSE by their letter dated January 10, 2005, agreed to de-list the Equity Shares of the Company with effect from January 10, 2005. The shares of our Company are currently listed on BSE and NSE.

One of our subsidiaries, JKM Dae Rim Automotive Limited, has vide a scheme of amalgamation sanctioned by the High Court of Karnataka at Bangalore on January 04, 2008, merged with our Company. The said merger is with effect from April 01, 2007.

Our Company, has through one of its step down subsidiaries, Dynamatic Limited, acquired the Hydraulic Business Division (Swindon Unit) of Sauer Danfoss Limited, United Kingdom at a consideration of USD 10 million on June 15, 2007.

The issue of the QIP Shares in this Issue was authorized in an Extraordinary General Meeting of the holders of our Company’s Equity Shares held on June 30, 2008. The issue and allotment of the QIP Shares by our Company were authorized and approved by the Board on June 06, 2008.

Our Company has obtained all consents, approvals and authorizations in India required in connection with the Issue. Where necessary, our Company has obtained all consents from its lenders, for the issue of the QIP Shares.

Our Company will issue the QIP Shares on or around the Closing Date pursuant to the terms of this Placement Document.

Applications have been made to the Stock Exchanges for the QIP Shares to be issued on the Closing Date to be admitted to listing and to trading thereon. It is expected that admission of the QIP Shares to listing and to trading on the Stock Exchanges will be granted on or around August 13, 2008, subject to the issue of the QIP Shares. There is no assurance that such listings will be granted or maintained. Transactions will normally be effected for settlement in Indian rupees and for settlement on the [fifth] business day in Mumbai after the date of the transaction.

Copies of our Company’s Memorandum and Articles of Association, the Placement Document, and the Financial Statements will be available for inspection during usual business hours on any weekday (except Saturdays and public holidays) at our Company’s registered office.

Price Waterhouse & Co., Chartered Accountants, have audited our financial statements for Fiscal Years 2006, 2007 and 2008. Price Waterhouse & Co have rendered unqualified audit report in respect of our Financial Statements which they have audited, and they consent to the inclusion in this Placement Document of their name and these audit report set out on page 145 , references to them in the form and context in which they are included.

We prepared our financial statements as at and for Fiscal Year 2006, 2007 and 2008 each as contained herein, in conformity with Indian GAAP which differs in certain material respects from IFRS and U.S. GAAP.

Except as disclosed in this Placement Document, there has been no significant change in our financial or trading position and no material adverse change in our consolidated financial position or prospects since March 31, 2008.

Except as disclosed in this Placement Document, we are not involved in any material litigation or arbitration proceedings that may have, or have had during the 12 months preceding the date of this Placement Document, a material adverse effect on our financial position, nor, so far as we are aware, are there any such proceedings pending or threatened.

INDEX TO FINANCIAL STATEMENTS

Audit report dated July 21, 2008 of Price Waterhouse, Chartered Accountants

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

1. We have audited the attached Consolidated Balance sheet of Dynamatic Technologies Limited and its subsidiaries as at March 31, 2008, March 31, 2007 and March 31, 2006, the consolidated Profit and Loss Account for the years ended on those dates and the consolidated cash flow statement for the years ended on those dates, annexed thereto, which we have signed under reference to this report. These Consolidated financial statements are the responsibility of the Company's management and have been prepared for the proposed Qualified Institutional Placement of the Company's shares. 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
   a) total assets of Rs.987,420,473, Rs.40,288,251 and Rs.38,914,426 as at March 31, 2008, March 31, 2007 and March 31, 2006 respectively
   b) total revenues of Rs.853,275,755, Rs.4,200,000 and Rs.4,200,000 for the years ended on those dates and
   c) net cash inflows of Rs.200,707,090, Rs.1,181,115 and Rs.443,229 for the years ended on those dates.

   These financial statements and other information of the subsidiaries have been audited by other auditors whose reports have been furnished to us, and our opinion, insofar 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 the Company's management in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements, as notified in the Companies (Accounting Standards) Rules, 2006 and on the basis of the separate audited financial statements of Dynamatic Technologies Limited and its subsidiaries included in the consolidated financial statements.

5. On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of Dynamatic Technologies Limited and its subsidiaries, in our opinion, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

   a) in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of Dynamatic Technologies Limited and its subsidiaries as at March 31, 2008, March 31, 2007 and March 31, 2006;

b) in the case of the Consolidated Profit and Loss Account, of the consolidated results of operations of Dynamatic Technologies Limited and its subsidiaries for the years ended on those dates and

c) in the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of Dynamatic Technologies Limited and its subsidiaries for the years ended on those dates.

S. Dutta
Partner
Membership No.: F50081
For and on behalf of
Price Waterhouse & Co.
Chartered Accountants

Place: Bangalore
Date: July 21, 2008

Consolidated Balance Sheet as at March 31, 2008, 2007 and 2006

DYNAMATIC TECHNOLOGIES LIMITED				
CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2008, MARCH 31, 2007 AND MARCH 31, 2006				
	Schedule	**2008**	**2007**	**2006**
				(*Rupees in Million*)
SOURCES OF FUNDS				
Shareholders' Funds				
Capital	**1**	48.11	41.94	41.94
Reserves and Surplus	**2**	599.63	399.39	295.55
Minority Interest [Schedule 21 Note 4(b)]		0.00	62.89	51.16
Loan Funds				
Secured Loans	**3**	1,575.78	765.94	549.41
Unsecured Loans	**4**	67.59	73.57	76.41
Deferred tax liabilities (Schedule 21 Note 10)		154.07	111.94	84.72
		2,445.17	**1,455.66**	**1,099.18**
APPLICATION OF FUNDS				
Fixed Assets	**5**			
Gross Block		2,337.64	1,500.86	1,236.43
Less: Depreciation		722.42	600.85	523.45
Net Block		1,615.23	900.01	712.97
Capital Work-in-Progress		173.39	252.66	105.52
Incidental Expenditure during Construction Period	**6**	-	34.10	13.90
		1,788.62	1,186.77	832.39
Investments	**7**	0.00	0.02	0.12
Current Assets, Loans and Advances				
Inventories	**8**	471.89	310.25	275.27
Sundry Debtors	**9**	791.68	529.34	427.54
Cash and Bank Balances	**10**	253.87	26.59	33.33
Other Current Assets	**11**	41.28	22.03	16.60
Loans and Advances	**12**	110.92	91.85	65.97
		1,669.64	980.06	818.71
Less: Current Liabilities and Provisions				

DYNAMATIC TECHNOLOGIES LIMITED				
CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2008, MARCH 31, 2007 AND MARCH 31, 2006				
	Schedule	**2008**	**2007**	**2006**
				(*Rupees in Million*)
Liabilities	**13**	956.94	660.01	512.11
Provisions	**14**	56.15	51.21	39.99
		1,013.09	711.22	552.10
Net Current Assets		656.55	268.84	266.61
Miscellaneous Expenditure		-	0.04	0.07
(To the extent not written off or adjusted)				
		2,445.17	**1,455.66**	**1,099.18**
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	N. RAJAGOPAL	Dr. K. APRAMEYAN
Partner	ED & COO	Director
For and on behalf of		
Price Waterhouse & Co.		
Chartered Accountants		
	G. HARITHA	
	Company Secretary	
Place: Bangalore	Place: Bangalore	
Date: July 21, 2008	Date: July 21, 2008	

Consolidated Profit and Loss Account for the years ended March 31, 2008, 2007 and 2006

DYNAMATIC TECHNOLOGIES LIMITED				
CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEARS ENDED MARCH 31, 2008, MARCH 31, 2007 AND MARCH 31, 2006				
	Schedule	**2008**	**2007**	**2006**
				(*Rupees in Million*)
INCOME				
Sales and Services	**15**	4,053.89	2,922.89	2,373.51
Less: Excise duty included therein		494.28	520.00	391.47
Sales (Net)		3,559.61	2,402.89	1,982.05
Other Income	**16**	103.53	49.74	33.01
		3,663.13	**2,452.63**	**2,015.05**
EXPENDITURE				
Cost of Materials	**17**	1,846.33	1,477.81	1,154.49
Employee Cost	**18**	603.78	219.33	184.68
Other Operating Expenses	**19**	643.36	336.31	303.81
		3,093.46	**2,033.44**	**1,642.98**
Operating Profit before Depreciation and Interest (EBITDA)		**569.67**	**419.18**	**372.08**
Depreciation		128.01	99.33	93.51
(Less): Transfer from Revaluation Reserve		(0.34)	(0.34)	(0.35)
		127.66	98.99	93.16
Interest	**20**	107.82	67.31	59.96
Profit before Taxation and Extraordinary/Exceptional		**334.19**	**252.89**	**218.96**
Extraordinary/Exceptional (Schedule 21 Note 13)		28.79	16.64	4.79
Profit before taxation		**305.40**	**236.24**	**214.16**
Provision for Taxation				
- Income Tax				
- Current		72.13	56.31	79.84
- Deferred Charge/ (Credit) (Schedule 21 Note 10)		42.13	27.22	(2.78)
- Fringe Benefit Tax		4.70	3.26	3.82
- Wealth Tax		0.21	0.21	0.06
Profit after taxation before Minority Interest		186.22	149.25	133.23
Minority Interest in Profits (Schedule 21 Note 25)		-	18.05	17.32

DYNAMATIC TECHNOLOGIES LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEARS ENDED MARCH 31, 2008, MARCH 31, 2007 AND MARCH 31, 2006

	Schedule	2008	2007	2006
				(*Rupees in Million*)
Profit after taxation		**186.22**	**131.19**	**115.90**
Profit brought forward from previous year (Schedule 21 Note 26)		94.40	72.02	45.23
Profit Available for appropriation		**280.63**	**203.21**	**161.13**
Appropriations				
Dividend :				
- Interim		10.48	8.39	8.39
- Proposed Final		24.05	12.58	12.58
- Tax thereon		5.19	6.04	5.02
Transferred to General Reserve		18.58	81.80	63.13
		222.32	94.40	72.02
Add:Transfer of minority share in Profit and Loss Account		-	-	-
[Schedule 21 Note 4(b)]		30.59	-	-
Profit Carried to Balance Sheet		252.92	94.40	72.02
Earnings Per Share- Basic and Diluted (Schedule 21 Note 9)				
Before Extraordinary/ Exceptional		51.15	35.25	28.78
After Extraordinary/ Exceptional		44.30	31.28	27.64
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	N. RAJAGOPAL	Dr. K. APRAMEYAN
Partner	ED & COO	Director
For and on behalf of		
Price Waterhouse & Co.,		
Chartered Accountants		
	G. HARITHA	
	Company Secretary	
Place: Bangalore	Place: Bangalore	
Date: July 21, 2008	Date: July 21, 2008	

Consolidated Cash Flow Statement for the years ended March 31, 2008, 2007 and 2006

DYNAMATIC TECHNOLOGIES LIMITED				
CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2008, MARCH 31, 2007 AND MARCH 31, 2006				
		2008	**2007**	**2006**
				(*Rupees in Million*)
A.	**Cash flow from operating activities:**			
	Net profit before tax and extraordinary item:	334.19	252.89	218.96
	Adjustments for:			
	Depreciation	127.66	98.99	93.16
	Interest Expense	107.82	67.31	59.96
	Interest Income	(10.44)	(3.25)	(2.87)
	Income from Investment - Dividends	-	-	(0.02)
	(Profit)/Loss on Fixed Assets sold	1.46	1.94	0.46
	Deferred revenue expenditure written off	0.04	0.03	4.68
	Debts / Advances Written off	1.61	1.76	1.99
	Provision for Bad and Doubtful Debts/Advances	5.03	3.43	4.94
	Liability no longer required written back	(0.63)	(0.57)	(2.34)
	Provision for Gratuity and Leave Encashment	1.25	4.62	2.59
	Provision for diminution in value of Investments	-	-	0.09
	Unrealised foreign exchange (gain) /loss	(4.87)	(3.49)	1.22
	Provision for warranty	5.92	1.99	1.70
	Operating profit before working capital changes	**569.04**	**425.64**	**384.51**
	Adjustments for changes in working capital :			
	- (Increase)/Decrease in Sundry Debtors	(113.38)	(109.01)	(93.72)
	- (Increase)/Decrease in Other Receivables	(28.98)	(20.15)	(19.52)
	- (Increase)/Decrease in Inventories	(31.60)	(34.98)	(38.86)
	- Increase/(Decrease) in Trade and Other Payables	84.09	129.31	140.98
	Adjustment for Unrealised Foreign Exchange Gain/(Loss)	(3.17)	3.49	(1.22)
	Cash generated from operations	**476.00**	**394.31**	**372.17**
	- Direct Tax paid	(70.55)	(66.28)	(64.90)
	- Fringe Benefit Tax paid	(4.15)	(3.30)	(4.05)
	Cash flow before extra-ordinary items	**401.31**	**324.73**	**303.23**
	Extraordinary items (Schedule 21 Note 13)	(28.79)	(16.64)	(4.79)
	Net cash from operating activities	**372.52**	**308.09**	**298.44**
B.	**Cash flow from Investing activities:**			
	Purchase of fixed assets	(452.10)	(450.51)	(190.82)
	Proceeds from Sale of fixed assets	5.44	4.68	1.45

DYNAMATIC TECHNOLOGIES LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2008, MARCH 31, 2007 AND MARCH 31, 2006

		2008	2007	2006
				(*Rupees in Million*)
	Proceeds from Sale of Investments	0.02	0.10	0.00
	Loans/ICDs (Net)	0.22	-	0.25
	Interest Received (Revenue)	6.09	2.10	3.22
	Dividend Received	-	-	0.02
	Business Purchase Dynamatic Ltd, UK	(363.67)	-	-
	Adjustment for Unrealised Foreign Exchange Gain/(Loss)	0.35	-	-
	Net cash used in investing activities	**(803.66)**	**(443.63)**	**(185.88)**
C.	**Cash flow from financing activities:**			
	Proceeds from long term borrowings	485.91	174.64	(64.75)
	Repayment of long term borrowings	(149.39)	-	-
	Proceeds from short term borrowings(Net)	-	(10.00)	(10.14)
	Repayment of Inter Corporate Deposits (Net)	(5.00)	-	(0.05)
	Repayment of Loan from Directors (Net)	(0.80)	-	-
	(Repayment)/ Proceeds from fixed deposits (Net)	(0.18)	1.93	5.39
	Proceeds from Cash Credits (Net)	472.08	46.48	44.94
	Interest Paid	(106.29)	(66.63)	(58.66)
	Dividend Paid	(36.85)	(14.74)	(21.09)
	Dividend Tax Paid	(8.74)	(2.89)	(4.60)
	Adjustment for Unrealised Foreign Exchange Gain/(Loss)	7.69	-	-
	Net cash used in financing activities	**658.41**	**128.79**	**(108.97)**
		-	-	-
	Net Increase/(Decrease) in Cash and Cash Equivalents	**227.28**	**(6.74)**	**3.59**
	Cash and cash equivalents as at the beginning of the year	26.59	33.33	29.75
	Cash and cash equivalents at the end of the year (Note 4 below)	253.87	26.59	33.33
		227.28	**(6.74)**	**3.59**

Notes :

1 The above Consolidated Cash Flow Statement has been compiled from and is based on the Consolidated Balance Sheets as at March 31, 2008, March 31, 2007 and March 31, 2006 the relative Consolidated Profit and Loss Accounts for the years 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/ notified under Section 211(3C) of The Companies Act, 1956

3 Current year figures are after giving effect to the operations of the new ultimate subsdidiary (namely Dynamatic Ltd.., UK) and accordingly the current year figures are not comparable with those of the previous years.

DYNAMATIC TECHNOLOGIES LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2008, MARCH 31, 2007 AND MARCH 31, 2006

		2008	2007	2006
				(*Rupees in Million*)
4	i) Held under Section 3A of Companies (Acceptance of Deposit) Rules,1975	0.20	1.33	0.96
	ii) Under lien against Bank Guarantee	34.05	9.57	10.95

5 Previous years' figures have been regrouped/ reclassified wherever necessary in order to confirm with current year's presentation.

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	N. RAJAGOPAL	Dr. K. APRAMEYAN
Partner	ED & COO	Director
For and on behalf of		
Price Waterhouse & Co		
Chartered Accountants		
	G. HARITHA	
Place: Bangalore	Company Secretary	
Date: July 21, 2008		
	Place: Bangalore	
	Date: July 21, 2008	

Schedules to the consolidated accounts

DYNAMATIC TECHNOLOGIES LIMITED			
SCHEDULES TO CONSOLIDATED ACCOUNTS	**2008**	**2007**	**2006**
			(*Rupees in Million*)
1. Capital			
Authorised:			
20,000,000 (2007: 20,000,000; 2006: 20,000,000) Equity Shares			
of Rs.10 each.	200.00	200.00	200.00
500,000 (2007: 500,000; 2006: 500,000) Redeemable Cumulative			
Preference shares of Rs 100 each	50.00	50.00	50.00
	250.00	**250.00**	**250.00**
Issued, Subscribed and Paid-up:			
4,810,703 (2007: 4,193,560; 2006: 4,193,560) Equity Shares			
of Rs.10 each fully paid up	48.11	41.94	41.94
	48.11	**41.94**	**41.94**
2. Reserve and Surplus			
Securities Premium Account	0.60	0.60	0.60
Capital Reserve [Note below]	4.00	4.00	4.00
Captial Redemption Reserve	24.00	24.00	24.00
Reserve on Amalgamation [Schedule 21 Note 4(b)]	15.43	-	-
Revaluation Reserve :			
As per Last Balance Sheet	17.77	18.11	18.58
(Less):			
- Additional depreciation charge on revalued fixed assets transferred to			
Profit and Loss Account [Schedule 21 Note 1(d)]	(0.34)	(0.34)	(0.35)
- Valuation Adjustment on Fixed Assets discarded during the year	-	-	(0.13)
	17.42	17.77	18.11
General Reserve :			
As per Last Balance Sheet	258.62	176.82	113.70
Add/(Less):			
- Transfer of minority share of General Reserve [Schedule 21 Note 4(b)]	10.69	-	-
- Transferred from Profit and Loss account	18.58	81.80	63.13
	287.90	258.62	176.82
- Transferred to Capital Redemption Reserve	-		

DYNAMATIC TECHNOLOGIES LIMITED			
SCHEDULES TO CONSOLIDATED ACCOUNTS	**2008**	**2007**	**2006**
			(*Rupees in Million*)
Foreign Currency Translation Reserve [Credit/(Debit)]	(2.64)	0.00	0.00
Profit and Loss Account	252.92	94.40	72.02
	599.63	**399.39**	**295.55**
Note:			
Represents:			
(i) Backward Area Subsidy received during 2004-05 amounting to Rs.1,500,000			
(ii) Back End Subsidy received by JKM Research Farm Limited Rs.2,500,000			
3. Secured Loans (Schedule 21 Note 20)			
Term Loan:			
- From Financial Institutions			
- In Rupees	16.95	58.36	83.83
- From Banks			
- In Rupees	300.87	309.50	217.37
- In Foreign Currency	485.69	99.15	-
Hire Purchase Loan:			
- From Financial Institutions			
- In Rupees	13.94	13.92	9.94
Cash Credit and Working Capital Loan:			
- From Banks			
- In Rupees	531.83	284.60	238.12
- In Foreign Currency	224.85	-	-
Interest Accrued and Due	1.64	0.40	0.15
	1,575.78	**765.94**	**549.41**
4. Unsecured Loans			
Short Term Loans:			
From Bank	-	-	10.00
From a Director	-	0.80	0.80
Inter Corporate Deposits	5.05	10.05	10.05

DYNAMATIC TECHNOLOGIES LIMITED			
SCHEDULES TO CONSOLIDATED ACCOUNTS	**2008**	**2007**	**2006**
			(*Rupees in Million*)
Public Deposits	17.77	17.94	16.02
[Repayable within one year Rs.13,548,000 (2007: Rs.10,776,000; 2006: Rs.6,536,500)]			
Others			
- Interest Free Sales Tax Loan (Schedule 21 Note 15)	44.37	44.37	39.54
[Repayable within one year Rs.Nil (2007: Rs. Nil; 2006: Rs.Nil)]			
Interest Accrued and due	0.40	0.40	-
	67.59	**73.57**	**76.41**

5. FIXED ASSETS

[Schedule 21 Note 1(d)]

2007-08

	GROSS BLOCK- AT COST OR REVALUATION					D E P R E C I A T I O N				NET BLOCK
	2007	Assets acquired on Business Acquisition [Refer Schedule 21 Note 17]	Additions/ Adjustments	Deletions	2008	2007	Additions/ Adjustments	Deletions	2008	2008
Tangible Assets										
Land and Development (Notes 1 and 2)	29.76	-	-	-	29.76	-	-	-	-	29.76
Buildings (Note 1)	202.99	2.05	138.65	-	343.70	29.90	6.91	-	36.81	306.89
Plant and Machinery (Notes 3, 4 and 5 below)	1,042.56	141.94	448.05	4.95	1,627.61	466.69	99.15	2.16	563.68	1,063.93
Measuring Instruments	16.28	-	1.45	-	17.73	8.95	0.64	-	9.59	8.14
Electrical Installations (Note 1)	34.01	-	25.91	0.11	59.80	9.64	1.93	0.04	11.54	48.27
Data Processing Equipments	39.76	2.17	17.17	-	59.11	28.47	5.39	-	33.86	25.25
Office Equipments	18.53	-	3.77	-	22.30	7.29	0.95	-	8.24	14.07
Furniture And Fixtures	21.03	2.62	10.50	0.95	33.20	8.97	1.34	0.41	9.91	23.30
Tools, Dies And Moulds	34.18	2.34	32.20	0.49	68.22	12.69	5.74	0.45	17.97	50.25
Vehicles	39.84	-	15.92	6.09	49.67	10.24	4.51	3.38	11.37	38.30
Intangible Assets										
Application Software	21.91	-	4.62	-	26.53	18.01	1.45	-	19.46	7.07
	1,500.86	151.13	698.25	12.59	2,337.64	600.85	128.01	6.44	722.42	1,615.23
Capital Work-in-progress [Including capital advances Rs.22,245,589 (2007: Rs.23,380,474)] [Note 3 below and Schedule 21 Note 18(a)]										173.39
										1,788.62

5. FIXED ASSETS (Contd.)

[Schedule 21 Note 1(d)]

2006-07

	GROSS BLOCK- AT COST OR REVALUATION				DEPRECIATION				NET BLOCK
	2006	**Additions/ Adjustments**	**Deletions**	**2007**	**2006**	**Additions/ Adjustments**	**Deletions**	**2007**	**2007**
Tangible Assets									
Land and Development (Notes 1 and 2)	29.76	-	-	29.76	-	-	-	-	29.76
Buildings (Note 1)	144.11	60.51	1.63	202.99	25.18	4.95	0.23	29.90	173.10
Plant and Machinery (Notes 3, 4 and 5 below)	856.11	190.26	3.81	1,042.56	393.36	76.75	3.42	466.69	575.87
Measuring Instruments	15.59	0.73	0.03	16.28	8.28	0.70	0.02	8.95	7.33
Electrical Installations (Note 1)	26.46	7.55	-	34.01	8.37	1.27	-	9.64	24.37
Data Processing Equipments	36.88	5.54	2.66	39.76	27.24	3.72	2.49	28.47	11.29
Office Equipments	16.61	2.49	0.57	18.53	5.61	2.07	0.39	7.29	11.24
Furniture and Fixtures	15.81	5.23	0.01	21.03	7.45	1.52	0.00	8.97	12.06
Tools, Dies and Moulds	47.29	6.01	19.12	34.18	23.70	3.86	14.87	12.69	21.49
Vehicles	29.26	11.94	1.36	39.84	7.49	3.26	0.51	10.24	29.60
Intangible Assets	-	-	-	-	-	-	-	-	-
Application Software	18.54	3.37	-	21.91	16.78	1.22	-	18.01	3.90
	1,236.43	293.61	29.18	1,500.86	523.45	99.33	21.94	600.85	900.01
Capital Work in Progess [Including Capital Advances of Rs. 23,380,474 (2006 :Rs.11,770,496)] [Note 3 below and Schedule 21 Note 18(a)]									252.66
									1,152.67

5. FIXED ASSETS (Contd.)

2005-06

	GROSS BLOCK- AT COST OR REVALUATION				DEPRECIATION				NET BLOCK
	2005	**Additions/ Adjustments**	**Deletions**	**2006**	**2005**	**Additions/ Adjustments**	**Deletions**	**2006**	**2006**
Tangible Assets									
Land and Development (Notes 1 and 2)	29.76	-	-	29.76	-	-	-	-	29.76
Buildings (Note 1)	126.31	18.20	0.39	144.11	20.72	4.59	0.13	25.18	118.94
Plant and Machinery (Notes 3, 4 and 5 below)	813.16	47.75	4.80	856.11	328.56	68.68	3.88	393.36	462.76
Measuring Instruments	14.14	1.44	-	15.59	7.61	0.67	-	8.28	7.31
Electrical Installations (Note 1)	24.33	2.13	-	26.46	7.21	1.16	-	8.37	18.09
Data Processing Equipments	31.67	5.21	-	36.88	22.54	4.70	-	27.24	9.64
Office Equipments	13.90	2.72	0.01	16.61	4.92	0.69	0.00	5.61	11.00
Furniture and Fixtures	14.87	0.94	-	15.81	6.56	0.90	-	7.45	8.36
Tools, Dies and Moulds	38.68	9.32	0.72	47.29	19.43	4.27	0.01	23.70	23.59
Vehicles	24.70	5.64	1.07	29.26	6.07	2.36	0.94	7.49	21.77
Intangible Assets	-	-	-	-	-	-	-	-	-
Application Software	16.54	2.00	-	18.54	11.28	5.50	-	16.78	1.76
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	1,148.07	95.35	6.99	1,236.43	434.90	93.51	4.95	523.45	712.97

Capital Work in Progess [Including Capital Advances of Rs. 19,469,368 (2005: Rs. 9,672,209)] [Note 3 below and Schedule 21 Note 18(a)]	105.52
	-
	818.49

DYNAMATIC TECHNOLGIES LIMITED
SCHEDULE TO CONSOLIDATED ACCOUNTS

Notes:

	2008	2007	2006
1(i) Cost of Land and Development, Buildings and Electrical Installations includes value added on revaluation (Schedule 21 Note 23)	17.52	17.65	18.11
(ii) Depreciation for the year on revalued amount comprise the following:-			
Buildings	0.31	0.31	0.32
Electrical Installations	0.03	0.03	0.03
	0.34	0.34	0.35
2. Land and Development includes Leasehold Land	11.13	11.13	11.13
3. Plant and Machinery includes machineries leased to third parties [Schedule 21 Note 8 (b)]	21.33	22.20	20.92
4. Plant and Machinery and Capital Work-in-progress includes borrowing costs capitalised during the year [Schedule 21 Note 1 (f)]	14.60	6.17	1.37
5. Book Value of Plant and Machinery is net of subsidy received from the Tamil Nadu Industrial Investment Corporation Limited	1.88	1.88	1.88

DYNAMATIC TECHNOLOGIES LIMITED
SCHEDULE TO CONSOLIDATED ACCOUNTS

(Rupees in Million)

6. Incidental Expenditure During Construction Period

	2005	Additions/ Adjustments	2006	Additions/ Adjustments	2007	Additions/ Adjustments	2008
Employee Cost:							
Salaries, Wages and Bonus	-	10.28	10.28	14.18	24.46	23.10	47.56
Other Expenses:							
Cost of materials	-	0.13	0.13	2.81	2.94	-	2.94
Consumables and Tools	-	1.23	1.23	2.40	3.63	3.48	7.11
Power and Fuel	-	0.93	0.93	1.87	2.80	1.80	4.60
Travelling Expenses	-	1.79	1.79	2.33	4.13	1.58	5.70
Interest on borrowings	-	-	-	0.23	0.23	-	0.23
Miscellaneous Expenses	-	0.01	0.01	0.06	0.07	1.28	1.34
	-	14.37	14.37	23.88	38.25	31.24	69.49
(Less): i) Sale out of Trial Production	-	(0.47)	(0.47)	(3.68)	(4.15)	(11.90)	(16.05)
ii) Allocated to Plant and Machinery	-	-	-	-	-	-	(53.44)
	-	13.90	13.90	20.21	34.10	19.34	-

DYNAMATIC TECHNOLOGIES LIMITED

SCHEDULES TO CONSOLIDATED ACCOUNTS	**2008**	**2007**	**2006**
			(Rupees in Million)
7. Investments			
[Schedule 21 Note 1 (g)]			
Long term-Other than Trade- unquoted			
Fully Paid up Shares at Cost:			
921,530 (2007: 921,530; 2006: 921,530) fully paid Equity Shares of Rs.10 each of Murablack (India) Ltd.	9.22	9.22	9.22
Other Investments at Cost:			
Nil (2007: 3; 2006: 3) Deep Discount Bonds of Rs. 5,000 each of Krishna Bhagya Jala Nigam Ltd (Sold during the year)	-	0.02	0.02
Nil (2007: Nil; 2006: 4,000) Equity Shares of Rs. 25 each of Shamrao Vithal Co-op Bank Ltd	-	-	0.10

DYNAMATIC TECHNOLOGIES LIMITED				
SCHEDULES TO CONSOLIDATED ACCOUNTS		**2008**	**2007**	**2006**
				(*Rupees in Million*)
	Indira Vikas Pathra (Encashed during the year)	-	-	-
		9.22	9.23	9.33
	Less: Provision for Dimunition in Value of Investments	9.22	9.22	9.22
		0.00	**0.02**	**0.12**
8.	**Inventories**			
	[Schedule 21 Note 1 (h)]			
	Stores and Spares	46.15	39.24	32.26
	Raw Materials including components (including in transit/ with third parties)	249.12	166.02	162.33
	Rose Plants	12.46	12.46	12.46
	Work-in-progress (including in transit/ with third parties)	87.68	44.37	22.82
	Finished Goods	76.48	48.15	45.40
		471.89	**310.25**	**275.27**
9.	**Sundry Debtors**			
	(Unsecured)			
	Exceeding Six months			
	Considered Good	43.73	40.04	27.51
	Considered Doubtful	12.45	7.47	4.10
	Other Debts			
	Considered Good	747.95	489.30	400.03
		804.14	536.81	431.64
	Less: Provision for Doubtful Debts	12.45	7.47	4.10
		791.68	**529.34**	**427.54**
10.	**Cash and Bank Balances**			
	Cash on hand	0.69	0.92	0.33
	Balance with Scheduled Banks:			
	in Fixed Deposits (Note 1)	2.00	3.69	12.96
	in Current Accounts	215.65	11.20	7.89
	Unpaid Dividend Accounts	1.48	1.21	1.21
	Margin Money Account (Note 2)	34.05	9.57	10.95
		253.87	**26.59**	**33.33**
	Notes:			

DYNAMATIC TECHNOLOGIES LIMITED			
SCHEDULES TO CONSOLIDATED ACCOUNTS	**2008**	**2007**	**2006**
			(*Rupees in Million*)
1) Includes Rs.199,973 (2007: Rs.1,325,950; 2006: Rs.955,364) held under			
Section 3A of Companies (Acceptance of Deposit) Rules,1975			
2) Under lien against Bank Guarantee			
11. Other Current Assets			
(Unsecured, Considered Good)			
Balance with Excise Authority	1.18	1.62	0.18
Interest accrued	5.50	1.14	-
Other Deposits	34.61	19.26	16.42
	41.28	**22.03**	**16.60**
12. Loans and Advances			
(Unsecured, Considered Good except as otherwise stated)			
Inter-Corporate Loans	23.28	23.50	23.50
Loans to Employees	1.58	2.27	2.88
Prepaid Expenses	5.27	2.19	3.31
Amount recoverable from Sales Tax Authorities			
Advances recoverable in cash or in kind or for value to be received	81.74	64.54	36.90
[Including Rs.953,125 (2007: Rs.904,125; 2006: Rs.840,495) considered doubtful]			
Advance Income Tax	-	-	-
Advance Fringe Benefit Tax (Net)	-	0.27	0.23
	111.87	92.76	66.81
Less: Provision for Doubtful Advances	0.95	0.90	0.84
	110.92	**91.85**	**65.97**
13. Current Liabilities			
Acceptances	314.29	258.87	-
Sundry Creditors	602.75	363.09	364.71
Advance from Customers	2.73	6.11	7.57
Interest Accrued but not Due	3.04	2.76	2.06
Unclaimed Dividend	1.48	1.21	1.21
Other Liabilities (Schedule 21 Note 16)	32.66	27.98	136.56
	956.94	**660.01**	**512.11**
14. Provisions			
Gratuity	6.81	4.89	2.05

DYNAMATIC TECHNOLOGIES LIMITED				
SCHEDULES TO CONSOLIDATED ACCOUNTS		**2008**	**2007**	**2006**
				(*Rupees in Million*)
	Leave Encashment (Note)	11.51	7.28	5.50
	Product Warranty (Schedule 21 Note 12)	4.23	1.65	1.00
	Current Taxation (Net)	5.64	3.90	13.75
	Fringe Benefit Tax (Net)	0.29	-	-
	Wealth Tax (Net)	0.21	0.15	0.06
	Proposed Final Dividend	24.05	26.37	14.74
	Dividend Tax thereon	3.41	6.96	2.89
		56.15	**51.21**	**39.99**
15.	**Sales and Services**			
	[Schedule 21 Note 1 (i)]			
	Sales:			
	- Manufactured Goods	3,994.55	2,901.30	2,355.92
	- Traded Items	36.24	2.58	3.73
	Services:			
	- Sub Contract Charges	15.85	6.90	11.54
	- Service Charges	5.77	10.87	1.08
	- Handling Charges	1.48	1.25	1.24
		4,053.89	**2,922.89**	**2,373.51**
16.	**Other Income**			
	Interest			
	- Banks (Gross) [Tax deducted at source Rs.102,164 (2007: Rs.204,112;	2.89	1.45	1.66
	2006: Rs 187,950)]			
	- Others (Gross) [Tax deducted at source Rs.1,127,648 (2007: Rs.392,830;			
	2006: Rs 229,490)]	7.55	1.79	1.21
	Lease rent [Schedule 21 Note 8 (b)]	0.82	0.82	0.87
	Dividend Income	-	-	0.02
	Sale of Scraps [Net of excise duty Rs.6,841,830 (2007: Rs.7,293,904;			
	2006: Rs. 4,287,358)]	61.67	42.89	25.61
	Liabilities no longer required written back	0.63	0.57	2.34
	Exchange Gain (Net)	29.04	2.16	-
	Gain on Sale of Fixed Assets (Net)		-	-
	Miscellaneous income	0.92	0.04	1.29
		103.53	**49.74**	**33.01**
17.	**Cost of Materials**			

DYNAMATIC TECHNOLOGIES LIMITED				
SCHEDULES TO CONSOLIDATED ACCOUNTS		2008	2007	2006
				(*Rupees in Million*)
	Raw Materials and Components consumed	1,857.87	1,502.12	1,153.00
	Purchase of Traded Items	5.22	0.64	1.19
		1,863.09	1,502.76	1,154.19
	Movements in Stocks:			
	Opening Stock			
	- Work-in-progress	44.37	22.82	27.15
	- Finished Goods	48.15	45.40	37.25
	Stock taken over on acquisition [Schedule 21 Note 17(a)]			
	- Work-in-progress	30.83	-	-
	- Finished Goods	18.89	-	-
		142.25	68.22	64.40
	Closing Stock:			
	- Work-in-progress	87.68	44.37	22.82
	- Finished Goods	76.48	48.15	45.40
		164.16	92.52	68.22
	(Increase)/ Decrease	(21.91)	(24.30)	(3.82)
	Excise Duty on Opening Stock of Finished Goods	9.64	10.29	6.18
	Excise Duty on Closing Stock of Finished Goods	14.78	9.64	10.29
	Increase/ (Decrease)	5.14	(0.65)	4.11
		1,846.33	**1,477.81**	**1,154.49**
18.	**Employee Cost**			
	Salaries, Wages and Bonus	504.82	173.04	148.80
	Contribution to Provident and Other Funds	32.66	20.84	15.59
	Staff Welfare Expenses	66.29	25.44	20.28
		603.78	**219.33**	**184.68**
19.	**Other Operating Expenses**			
	Rent [Schedule 21 Note 8 (a)]	30.63	6.33	5.51
	Rates and Taxes	15.34	10.10	7.47
	Power, Fuel and Utilities	107.77	57.10	52.77
	Stores and Spares	154.36	103.24	79.33

DYNAMATIC TECHNOLOGIES LIMITED				
SCHEDULES TO CONSOLIDATED ACCOUNTS		**2008**	**2007**	**2006**
				(*Rupees in Million*)
	Insurance	20.52	4.77	3.73
	Repairs and Maintenance			
	- Plant and Machinery	43.94	15.20	10.78
	- Buildings	12.93	1.98	1.90
	- Others	32.71	18.03	14.81
	Carriage Outward	49.31	15.48	15.01
	Travelling and Conveyance	49.13	23.69	26.67
	Security Charges	6.02	1.52	-
	Printing and Stationery	7.86	4.93	4.44
	Communication	10.76	7.96	7.37
	Professional and Consultancy Charges	33.34	16.04	12.09
	Royalty	-	-	5.02
	Exchange Loss (Net)	-	-	4.71
	Product Warranty (Schedule 21 Note 12)	5.92	1.99	1.70
	Technical Assistance Charges	1.02	3.48	3.03
	Advertisement and Sales Promotion	4.12	5.74	4.55
	Packing Expenses (Net)	0.17	6.82	6.31
	Discount on Sales	3.10	2.61	2.63
	Commission on sales	-	0.31	0.65
	Bank Charges	16.10	8.55	8.94
	Donations	0.51	0.20	0.37
	Directors Sitting Fees	1.42	0.92	0.62
	Loss on Sale/ Scrapping of Fixed Assets	1.46	1.94	0.46
	Bad Debts/ Advances written off	1.61	1.76	1.99
	Provision for Bad and Doubtful Debts/ Advances	5.03	3.43	4.94
	Provision for Dimunition in the value of Investment	-	-	0.09
	Miscellaneous Expenditure Written Off	0.04	0.03	4.68
	Miscellaneous Expenses	28.21	12.18	11.23
		643.36	**336.31**	**303.81**
20.	**Interest**			
	On Fixed Loans	59.45	31.36	30.64
	On Others	48.37	35.95	29.32
		107.82	**67.31**	**59.96**

Notes to the consolidated accounts

DYNAMATIC TECHNOLOGIES LIMITED
SCHEDULE TO CONSOLIDATED ACCOUNTS

21. NOTES ON ACCOUNTS

1. Significant Accounting Policies

a. Basis of Preparation of Consolidated Financial Statements:

The Consolidated financial statements relate to Dynamatic Technologies Limited (the Company) and its subsidiaries (hereinafter referred to as 'the Group') which have been prepared:

i) Under historical cost concept and accrual basis in accordance with the Generally Accepted Accounting Principles (GAAP) in India, the Accounting Standards issued by the Institute of Chartered Accountants of India/ notified under Section 211(3C) of the Companies Act, 1956, of India (the Act) and the relevant provisions of the Act.

ii) In accordance with Accounting Standard (AS 21) on Consolidated Financial Statements

The Consolidated Financial Statements are prepared by adopting uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's separate financial statement. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

b. Principles of Consolidation

These Consolidated Financial Statements have been prepared by consolidation of financial statements of the Company and its subsidiaries on a line-by-line basis after fully eliminating the inter-company transactions.

c. Subsidiaries considered in the Consolidated Financial Statements

Sl.No.	Name of the Company	Country of Incorporation	Proportion of Ownership interest (%)		
			2008	2007	2006
1	JKM Daerim Automotive Limited (Refer Note 4 below)	India	-	73	73
2	JKM Research Farm Limited	India	99.99	99.99	99.99
3	JKM Global Pte Limited	Singapore	100	100	100
4	Dynamatic Limited	United Kingdom	100	-	-

d. Fixed Assets and Depreciation:

Fixed Assets are stated at their original cost of acquisition and subsequent improvements thereto including taxes, duties, freight, borrowing costs, where applicable and other incidental expenses related to the acquisition and installation of the assets concerned and is net of subsidy. Incidental expenditure incurred during construction period is also capitalised where appropriate.

Certain Land, Buildings, Plant and Machineries and Electrical Installations are stated at valuations made by a professional valuer in 1991-92 at the then current value. (Note 23 below)

21. NOTES ON ACCOUNTS

Operating software is capitalised with the related fixed assets, while application software is charged off to revenue except for major application software which is capitalised as intangible assets and amortised over the useful life as estimated by the management.

Depreciation is provided on a straight line method at rates prescribed in Schedule XIV to the Companies Act, 1956, except for the following, which is based on the management's estimate of the useful lives of the assets concerned.

Particulars of Fixed Assets	Rate of depreciation
Data Processing Equipments	25%
Office Equipment	
Mobile Phones	50%

Depreciation on revalued items of fixed assets is calculated on their respective revalued amounts at rates considered applicable by the valuers on straight line method as against the methods/rates/bases which would have otherwise been adopted for the purpose of the annual accounts of the Company and accordingly includes additional depreciation charge. An amount equivalent to the aforesaid additional depreciation charge is transferred to the credit of the Profit and Loss Account from Revaluation Reserve. (Note 23 below)

e. Impairment of Assets:

At each balance sheet date, the Group assesses whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised in the Profit and Loss Account to the extent the carrying amount exceeds recoverable amount (Note 19 below).

f. Interest on Borrowings:

Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalised as part of the cost of that asset till such time as the asset is ready for its intended use. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use. Other borrowing costs are recognised as an expense in the period in which they are incurred.

g. Investments:

Long term Investments are stated at cost, except in the case of a permanent diminution in value, where cost is written down.

h. Inventories:

Inventories are valued at lower of cost and market price/ net realisable value. Cost is generally determined under First-in-First-out method. Consumable Stores and spares are treated as consumed on issue to production.

i. Revenue Recognition and Product Warranty:

Revenue from the sale of goods is recognised in accordance with terms of sales. Gross Sales are inclusive of Excise Duty and net of Value Added Tax or Sales Tax.

Revenue from services is recognised as the services are provided.

21. NOTES ON ACCOUNTS

Product warranties ranging for a period from 1 to 2 years against manufacturing and other defects, as per terms of contracts with the customers, are provided for based on estimates made by the Group [Note 12 below].

Dividend Income is recognized when the Group's right to receive dividend is established.

j. Research and Development (R&D): (Note 11 below)

The expenditure incurred on acquisition of Fixed Assets in respect of R&D activities are capitalised.

Income from R&D activities is included under Income from Services.

The Revenue expenditure incurred on Research and Development is charged off in the year in which such expenditure is incurred.

k. Foreign Currency Transactions:

Transactions in foreign currency are recognised at the rate of exchange prevailing on the date of the transaction.

Liabilities/ assets in foreign currencies are reckoned in the accounts as per the following principles:
All monetary assets and liabilities denominated in foreign currency are restated at the rates ruling at the year end and all the exchange gains/ losses arising therefrom are adjusted to the Profit and Loss Account, except those covered by forward contracted rates where the premium or discount arising at the inception of such forward exchange contract is amortised as expense or income over the life of the contract.

Exchange differences on forward contracts are recognised in the Profit and Loss Account in the reporting period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of such forward contracts is recognised as income or expense for the year.

In respect of overseas subsidiary companies, Income and Expenses are translated at average exchange rate for the year. Assets and liabilities, both monetary and non-monetary, are translated at the year-end exchange rates and Share Capital is translated at the exchange rate at the date of the transaction. The differences arising out of translation are included in the foreign currency translation reserve under Reserves and Surplus.

Any profit or loss arising on settlement or cancellation of derivative contracts is recognised as income or expense for the period.

The effect of derivative contracts outstanding as at the year end, in the form of unrealised losses arising on mark-to-market valuation is provided for keeping in view the principle of prudence as enunciated in AS 1, Diclosure of Accounting Policies. Unrealised gain arising on such valuation is not recognised. Disclosures are made in terms of the requirements set out in the announcements issued by the ICAI on December 2, 2005 and March 29, 2008.

l. Provisions:

Provisions are recognised when the Group has a present obligation as a result of past events, for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed regularly and are adjusted where necessary to reflect the current best estimates of the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset, only when the same is virtually certain.

21. NOTES ON ACCOUNTS

m. Leases:

Assets acquired under leases, where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Such leases are capitalised at the inception of the lease at lower of the fair value or the present value of the minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost, so as to obtain a constant periodic rate of interest on the outstanding liability for each period.

Assets acquired as leases, where a significant portion of the risk and rewards of ownership, are retained by the lessor, are classified as operating leases, Lease rentals are charged to the Profit and Loss Account on accrual/ straight line basis.

n. Employee Benefits:

(Note 5 below)

i) Defined Contribution Plan

Contributions to the Employees' Provident Fund, Employees' Pension Scheme and Employees' State Insurance are as per statute and are recognized as expenses during the period in which the employees perform the services.

ii) Defined Benefit Scheme

Liability towards Gratuity is determined based on actuarial valuation using Projected Unit Credit Method at the Balance Sheet Date. Actuarial gains and losses are recognised immediately in the Profit and Loss Account.

iii) Other Long Term Employee Benefits

Liability towards compensated absences, which are not expected to occur within twelve months after the end of the period in which the employees rendered the related services, are recognised at the present value of the obligation based on actuarial valuation at each balance sheet date.

iv) Short Term Employee Benefits

Liability towards short term employee benefits like, compensated absences, which are expected to occur within twelve months after the end of the period in which the employees render the related services, and performance incentives etc., is recognised, during the period when the employee renders the services.

o. Accounting for Subsidies:

Subsidy receivable against an expense is deducted from such expense and subsidy/ grant receivable against a specific fixed asset is deducted from the cost of the relevant fixed asset.

Investment subsidy not specifically related to a specific fixed asset is credited to Capital Reserve and retained till the requisite conditions are fulfilled.

p. Taxation:

Current tax is recognised in accordance with the applicable laws of the country.

Fringe benefit tax is recognised in accordance with the applicable laws of the country.

Deferred tax is recognised on timing differences between the accounting income and the taxable income for the year

21. NOTES ON ACCOUNTS

and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.

Deferred tax assets are recognised and carried forward to the extent that there is a reasonable / virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized except for unabsorbed depreciation and carry forward of losses under tax laws where deferred tax assets are recognized only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax can be realized.

q. Segment Reporting:

Identification of segments:

The Group's operating business are organised and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the areas in which major operating divisions of the Group operate.

Inter-segment Transfers

The Group accounts for inter-segment sales and transfers as if the sales or transfers were to third parties at current market prices.

Allocation of common costs

Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common costs.

Unallocated items

The Corporate and Other segment includes general corporate expenses items which are not allocated to any business segment.

r. Earnings per Share:

Earnings/ (loss) (basic and diluted) per equity share are arrived at based on Net Profit after taxation to the basic/weighted average number of equity shares.

s. Miscellaneous Expenditure:

Deferred Revenue Expenditure incurred prior to March 31, 2003 is amortised over a period of five years.

21. NOTES ON ACCOUNTS (contd.)

		2008	2007	2006
2.	**a) Capital Commitments**			
	Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided	119.89	130.55	66.13
	b) Contingent Liabilities			
	Corporate Guarantee given on behalf of Subsidiary Companies	356.00	90.00	90.00
	Income tax matters under dispute	1.52	-	-
3.	**Auditors' Remuneration**			
	(included in Professional and Consultancy Charges in Schedule - 19)			
	- Audit Fees	6.92	2.63	1.33
	- Others	1.93	0.76	0.66
	- Reimbursement of out of pocket expenses	0.00	0.05	0.04
		8.86	**3.44**	**2.03**

4. **Merger with JKM Daerim Automotive Limited**

a) The Honorable High Court of Karnataka, vide its order dated January 4, 2008, approved the scheme of amalgamation ("the Scheme") of JKM Daerim Automotive Limited (JDAL), the transferor company engaged in manufacture of Automotive Components with the Company with effect from April 1, 2007 ('transfer date').

The salient features of the said scheme are:

i) The assets and liabilities of the Transferor Company with effect from the transfer date shall stand transferred to and vested in the Company as a going concern without further action, deed, matter or thing , at the respective book value (except to ensure uniformity of accounting policies and standards, permanent diminution in assets or on account of tax liabilities if any), subject to all charges and encumbrances then affecting the same, shall not relate to or be available as security in relation to the assets of the Company.

ii) The excess of cost (book value) of Investments held by the Company in the share capital of the Transferor Company over the book value of net assets of the Transferor Company transferred in pursuance of this Scheme shall be adjusted against the balance carried forward in the Profit and Loss Account or General Reserve in the books of account of the Company.

iii) As the Transferor Company is a subsidiary of the Company, 5,840,000 fully paid equity shares held by the Company in the Transferor Company shall be cancelled and extinguished and in respect of the balance of 2,160,000 fully paid up Equity Shares of Rs.10/- each of the Transferor Company held by another shareholder, two Equity Shares of Rs.10/- each of the Company is to be allotted for every seven equity shares of Rs.10/- each held by it in the Transferor Company, in terms of Board Meeting held on March 26, 2008. On the allotment of these shares the Paid up Share Capital of the Company has increased by 617,143 Shares of Rs.10/- each.

b) Pursuant to the Merger the adjustment to minority interest is as follows:

	2008
Opening Balance of Minority Interest	**62.89**
(Less):	-
Shares of the Company issued in respect of 2,160,000 fully paid up	-
Equity Shares of Rs.10/- each to the minority shareholder of JDAL	(6.17)
Reserve on amalgamation	(15.43)
Adjusted in General Reserve	(10.69)
Adjusted in Profit and Loss Account	(30.59)
Balance in Minority Interest (Note 25 below)	**0.00**

c) The expenses relating to merger amounting to Rs.2,602,227 have been treated as an Extraordinary/ Exceptional Item in the Profit and Loss Account.

5. Employee Benefits

(i) The Group has adopted Accounting Standard 15 (revised 15) (AS 15R) on Employee Benefits with effect from April 1, 2007:

(ii) Gratuity:

The Company provides for gratuity, a defined benefit plan (the Gratuity Plan), to its employees. The Gratuity Plan provides a lump sum payment to eligible employees at retirement or termination of employment, being an amount based on the respective employee's last drawn salary and years of employment with the Company. The Company has employee's gratuity funds managed by an Insurance Company.

	2008
A) Reconciliation of opening and closing balances of the present value of the defined benefit obligation	
Obligations at the beginning of the year	30.37
Add: Transitional Obligation	-
Add: Current Service cost	9.55
Add: Interest cost	2.63
(Less): Actuarial Losses due to change in assumptions	(0.33)
(Less): Benefits paid during the year	(3.21)
Obligations at the end of the year	**39.02**

B) Reconciliation of opening and closing balances of the fair value of plan assets

21. NOTES ON ACCOUNTS (contd.)

Fair Value of Plan assets at the beginning of the year	25.57
Add: Expected Return on Plan Assets	2.20
Add: Actuarial Gain	0.45
Add: Contributions	7.20
(Less): Benefits Paid	(3.21)
Fair Value of Plan assets at the end of the year	**32.21**

C) Reconciliation of present value of defined benefit obligation and the fair value of plan assets to the assets and liabilities recognised in the Balance Sheet:

Present Value of Obligation as at March 31, 2008	39.02
(Less): Fair Value of Plan Assets as at March 31, 2008	32.21
Amount recognised in the Balance Sheet	**6.81**

D) Expenses recognised in Profit and Loss account under "Employee Cost" in Schedule 18:

Current service cost	9.55
Add: Interest cost	2.63
(Less): Expected Return on Plan Assets	(2.20)
Add: Actuarial Losses due to change in assumptions	(0.78)
	9.20

E) Investment details of plan assets

Fund balance with Insurance Company	100%

Based on the above allocation and the prevailing yields on these assets, the long term estimate of the expected rate of return on fund assets has been arrived at. Assumed rate of return on assets is expected to vary from year to year reflecting the returns on matching government bonds.

F) Actual return on plan assets	8%

G) Assumptions

Discount rate per annum	8%
Interest rate per annum	8%
Expected return on plan assets	8%

21. NOTES ON ACCOUNTS (contd.)

Expected salary increase per annum	6%
Average past services of employees	
- Hydraulics Division	12.29
- JKM Automotive and Foundry Division	5.39
Mortality rate - LIC 1994-96 published table of mortality rate	

The estimates of future increase in salary, considered in the actuarial valuation, have been taken on account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

As per management estimate, contribution of Rs. 8,400,000 is expected to be paid to the plan during the year ending March 31, 2009.

(iii) Defined Contribution Plans

Contribution to Provident and Other Funds under Employee's Cost (Schedule 18) includes Rs.23,430,419 being expenses debited under the following defined contribution plans:

Provident Fund and Pension Scheme	13.98
Employee State Insurance	1.86
Scottish Equitable	7.59
Total	**23.43**

(iv) As AS 15R is implemented only with effect from April 1, 2007, the corresponding figures for the previous years have not been furnished for the aforesaid details.

		2008	2007	2006
v)	Directors' Remuneration (Including perquisites evaluated as per Tax Laws and excluding contribution to Group Gratuity Fund and Provision for Leave Encashment)	18.12	5.87	4.59

DYNAMATIC TECHNOLOGIES LIMITED

SCHEDULE TO CONSOLIDATED ACCOUNTS

(Rupees in Million)

21. NOTES ON ACCOUNTS (contd.)

6 Segment Information

a) Information about Primary Business Segments

The business segment has been considered as the primary segment namely:

-Hydraulic and Precision Engineering - comprising of Hydraulic Pumps, Hand Pumps, lift assemblies, valves, powerpacks etc

- Aluminium Castings - manufacture of castings

- Automotive Components - comprising of Case Front, Water Pumps, Intake manifolds, Exhaust manifold etc

- Research Farm

Segment revenue, assets and liabilities have been accounted for on the basis of their relationship to the operating activities of the segment and amounts allocated on a reasonable basis.

2007-08

A Primary Segment Reporting

	Particulars	Hydraulic and Precision Engineering	Aluminium Castings	Automotive Components	Research Farm	Unallocated	Total
(i)	**Revenue**						
	External - Sales and Services	1,912.79	365.54	2,138.91	-	-	4,417.24
	Less: Excise duty	(140.75)	-	(353.53)	-	-	(494.28)
	Inter-Segment Sales and Services	(1.59)	(361.76)	-	-	-	(363.35)
	Other Income	46.05	12.37	22.51	4.20	34.28	119.41
	Inter-Segment Income	-	-	-	(4.20)	(11.69)	(15.89)
	Total Revenue	1,816.50	16.15	1,807.89	-	22.59	3,663.13
(ii)	**Result**						
	Segment Result - EBITDA - Profit/(Loss)	247.83	53.10	234.60	(3.39)	37.53	569.67
	(Less): Depreciation	(40.41)	(16.83)	(69.69)	(0.74)	-	(127.66)
	Segment Result - Profit/(Loss)	207.42	36.27	164.91	(4.13)	37.53	442.01
	(Less): Interest Expense	-	-	-	-	(107.82)	(107.82)

(Rupees in Million)

21. NOTES ON ACCOUNTS (contd.)

(Less): Extraordinary/ Exceptional Item	(28.54)	-	(0.25)	-	-	(28.79)
Profit/(Loss) before Taxation	178.88	36.27	164.66	(4.13)	(70.29)	305.40
	-	-	-	-	-	-
(Less): Provision for Taxation	-	-	-	-	(119.17)	(119.17)
Net Profit/(Loss)	178.88	36.27	164.66	(4.13)	(189.46)	186.22

(iii) Reconciliation of Segment Revenue with the Financial Statements

Total Revenue - Sales and Services	3,559.61
Other Income	103.53
As per Financial Statements	3,663.13

(iv) Other Information

Segment Assets	1,508.32	340.47	1,304.78	35.82	268.87	3,458.26
Segment Liabilities	906.38	134.13	732.57	0.99	1,036.45	2,810.52
Capital Expenditure	311.03	74.46	350.51	-	-	736.01
Depreciation	40.41	16.83	69.69	0.74	-	127.66
Other Non-Cash Expenses	6.90	1.51	3.06	-	-	11.47

B *Secondary Segment Reporting*

The Group operates in India and United Kingdom markets and also exports goods to various countries. Accordingly Secondary Segment reporting disclosures, as applicable are given below on a geographic segment basis. Segment Revenue, Assets and Liabilities include the respective amounts identifiable to each of the following segments and allocated on a reasonable basis.

	In India	**Outside India**	**Total**
Revenue by Geographical Markets	2,599.19	1,063.94	3,663.13
Carrying amount of Segment Assets	2,786.91	671.35	3,458.26
Capital Expenditure	571.06	164.95	736.01

6 Segment Information (cont'd.)

(Rupees in Million)

21. NOTES ON ACCOUNTS (contd.)

2006-07

A **Primary Segment Reporting**

	Particulars	Hydraulic and Precision Engineering	Aluminium Castings	Automotive Components	Research Farm	Unallocated	Total
(i)	**Revenue**						
	External - Sales and Services	952.04	330.32	1,909.14	-	-	3,191.50
	Less: Excise duty	(122.41)	(45.52)	(352.08)	-	-	(520.00)
	Inter-Segment Sales and Services	-	(268.60)	-	-	-	(268.60)
	Other Income	36.65	8.69	20.78	4.20	-	70.32
	Inter-Segment Income	(14.60)	-	(1.78)	(4.20)	-	(20.58)
	Total Revenue	851.68	24.89	1,576.06	-	-	2,452.63
(ii)	**Result**						
	Segment Result - EBITDA - Profit/(Loss)	141.50	43.10	186.69	(1.46)	49.35	419.18
	(Less): Depreciation	(29.25)	(11.05)	(57.95)	(0.74)	-	(98.99)
	Segment Result - Profit/(Loss)	112.25	32.04	128.75	(2.19)	49.35	320.19
	(Less): Interest Expense	-	-	-	-	(67.31)	(67.31)
	(Less): Extraordinary/ Exceptional Item	-	-	(16.64)	-	-	(16.64)
	Profit/(Loss) before Taxation	112.25	32.04	112.11	(2.19)	(17.96)	236.24
	(Less): Provision for Taxation	-	-	-	-	(87.00)	(87.00)
	Net Profit/(Loss)	112.25	32.04	112.11	(2.19)	(104.96)	149.25

(iii) **Reconciliation of Segment Revenue with the Financial Statements**

Total Revenue - Sales and Services	2,402.89
Other Income	49.74
As per Financial Statements	2,452.63

(Rupees in Million)

21. NOTES ON ACCOUNTS (contd.)

(iv) Other Information

Segment Assets	824.75	278.27	991.67	37.67	34.51	2,166.88
Segment Liabilities	642.72	201.23	687.24	2.68	191.68	1,725.55
Capital Expenditure	182.40	122.63	157.04	-	(1.11)	460.96
Depreciation	29.25	11.05	57.95	0.74	-	98.99
Other Non-Cash Expenses	9.43	0.07	1.77	-	-	11.26

B *Secondary Segment Reporting*

The Group operates in India and United Kingdom markets and also exports goods to various countries. Accordingly Secondary Segment reporting disclosures, as applicable are given below on a geographic segment basis. Segment Revenue, Assets and Liabilities include the respective amounts identifiable to each of the following segments and allocated on a reasonable basis.

	In India	Outside India	Total
Revenue by Geographical Markets	2,254.56	198.06	2,452.63
Carrying amount of Segment Assets	2,166.88	-	2,166.88
Capital Expenditure	460.96	-	460.96

6 Segment Information (cont'd.)

2005-06

A Primary Segment Reporting

Particulars	Hydraulic and Precision Engineering	Aluminium Castings	Automotive Components	Research Farm	Unallocated	Total
(i) Revenue						
External - Sales and Services	791.75	275.32	1,523.04	-	-	2,590.11
Less: Excise duty	(98.79)	(36.86)	(255.83)	-	-	(391.47)
Inter-Segment Sales and Services	(0.18)	(216.41)	-	-	-	(216.59)
Other Income	34.50	4.58	12.25	4.20	-	55.53
Inter-Segment Income	(17.52)	-	(0.80)	(4.20)	-	(22.52)
Total Revenue	709.76	26.63	1,278.66	0.00	-	2,015.05

(Rupees in Million)

21. NOTES ON ACCOUNTS (contd.)

(ii)	**Result**						
	Segment Result - EBITDA - Profit/(Loss)	119.82	45.06	175.42	(0.95)	32.72	372.08
	(Less): Depreciation	(30.01)	(9.98)	(52.43)	(0.74)	-	(93.16)
	Segment Result - Profit/(Loss)	89.82	35.08	122.99	(1.69)	32.72	278.91
	(Less): Interest Expense	-	-	-	-	(59.96)	(59.96)
	(Less): Extraordinary/ Exceptional Item	-	-	(4.79)	-	-	(4.79)
	Profit/(Loss) before Taxation	89.82	35.08	118.20	(1.69)	(27.24)	214.16
		-	-	-	-	-	-
	(Less): Provision for Taxation	-	-	-	-	(80.94)	(80.94)
	Net Profit/(Loss)	89.82	35.08	118.20	(1.69)	(108.18)	133.23

(iii)	**Reconciliation of Segment Revenue with the Financial Statements**	
	Total Revenue - Sales and Services	1,982.05
	Other Income	33.01
	As per Financial Statements	2,015.05

(iv)	**Other Information**						
	Segment Assets	645.48	155.24	798.51	37.39	14.66	1,651.28
	Segment Liabilities	467.23	146.98	539.58	2.69	157.31	1,313.79
	Capital Expenditure	136.26	25.35	34.00	0.02	-	195.63
	Depreciation	30.01	9.98	52.43	0.74	-	93.16
	Other Non-Cash Expenses	11.87	-	1.99	-	-	13.86

B ***Secondary Segment Reporting***

The Group operates in India and United Kingdom markets and also exports goods to various countries. Accordingly Secondary Segment reporting disclosures, as applicable are given below on a geographic segment basis. Segment Revenue, Assets and Liabilities include the respective amounts identifiable to each of the following segments and allocated on a reasonable basis.

	In India	Outside India	Total

(Rupees in Million)

21. NOTES ON ACCOUNTS (contd.)

Revenue by Geographical Markets	1,821.96	193.09	2,015.05
Carrying amount of Segment Assets	1,651.28	-	1,651.28
Capital Expenditure	88.36	-	88.36

(Rupees in Million)

21. NOTES ON ACCOUNTS (contd.)

7 Related Party Disclosure

A Names of related parties and description of relationship

(a) Companies over which key management personnel or relatives of such personnel are able to exercise significant influence (Other Related Entities)	Greenearth Biotechnologies Limited (GBL) Vita Private Limited (VPL) JKM Human Resources Private Limited (JHRPL) JKM Holding Private Limited (JHPL) Primella Sanitary Products Private Limited (PSPPL) Wavell Investments Private Limited (WIPL) Christine Hoden (India) Private Limited (CHIPL) JKM Offshore (India) Private Limited (JOIPL) Udayant Malhoutra and Co Private Limited (UMCPL)
(b) Key Management Personnel (i) Executive Directors	Udayant Malhoutra, Chief Executive Director and Managing Director N Rajagopal, Executive Director and Chief Operating Officer V Sunder - President and Group Chief Financial Officer B Seshnath - Executive Director and CMO Raymond Keith Lawton - Executive Director and COO, DLUK Ian Patterson -Group Technical Director
(ii) Non Executive Directors	J K Malhoutra, Chairman (Cessation March 17,2008) Air Chief Marshal S Krishnaswamy (Retd.) Dr. K Aprameyan Vijai Kapur Shanti Ekambaram Hyo Kyon Lee N R Mohanty
(c) Relatives of Key Management Personnel (Relatives)	Pramilla Malhoutra Udita Malhoutra Barota Malhoutra

7 Related Party Disclosures (cont'd.)

B Summary of transactions with related parties is as follows:

Description of relationship		**2008**			**2007**			**2006**		
	Related Party	**Other Related Entities A(a)**	**Key Management Personnel A(b)**	**Relatives A(c)**	**Other Related Entities A(a)**	**Key Management Personnel A(b)**	**Relatives A(c)**	**Other Related Entities A(a)**	**Key Management Personnel A(b)**	**Relatives A(c)**
i	**Other Income**									
	Interest									
	- GBL	2.04	-	-	1.48	-	-	0.86	-	-
ii	**Expenses**									
	Rent									
	- VPL	0.30	-	-	0.30	-	-	0.30	-	-
	- JHPL	0.08	-	-	0.08	-	-	0.08	-	-
	- N Rajagopal	-	0.36	-	-	0.24	-	-	0.24	-

(Rupees in Million)

- Pramilla Malhoutra	-	-	1.13	-	-	0.96	-	-	0.79
- Udita Malhoutra	-	-	0.29	-	-	0.12	-	-	0.08
Salaries and Wages									
- JHRPL	18.16	-	-	8.86	-	-	2.80	-	-
Interest									
-J K Malhoutra	-	0.10	-	-	0.09	-	-	0.09	-
Managerial Remuneration									
- Udayant Malhoutra	-	1.68	-	-	1.30	-	-	1.18	-
- N Rajgopal	-	1.77	-	-	1.31	-	-	1.07	-
- V Sunder	-	2.63	-	-	2.07	-	-	1.36	-
- B Seshnath	-	1.52	-	-	1.18	-	-	0.98	-
- Raymond Keith Lawton	-	5.64	-	-	-	-	-	-	-
- Ian Patterson	-	4.87	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
Directors sitting Fees									
- J K Malhoutra	-	0.11	-	-	0.10	-	-	0.07	-
- Udayant Malhoutra	-	0.03	-	-	0.04	-	-	0.02	-
- Air Chief Marshal S Krishnaswamy (Retd.)	-	0.36	-	-	0.25	-	-	0.13	-
- Dr. K Aprameyan	-	0.32	-	-	0.19	-	-	0.19	-
- Vijai Kapur	-	0.26	-	-	0.15	-	-	0.06	-
- V Sunder	-	-	-	-	0.05	-	-	0.13	-
- B Seshnath	-	0.15	-	-	0.08	-	-	-	-
- N R Mohanty	-	-	-	-	0.10	-	-	-	-
- Shanti Ekambaram	-	0.15	-	-	0.05	-	-	-	-
- Raymond Keith Lawton	-	0.05	-	-	-	-	-	-	-
- S H Utamsingh	-	-	-	-	-	-	-	0.03	-
- Hyo Kyon Lee	-	-	-	-	0.01	-	-	0.01	-

B Summary of transactions with related parties is as follows - (contd.)

Description of relationship	2008	2007	2006

DYNAMATIC TECHNOLOGIES LIMITED
SCHEDULE TO CONSOLIDATED ACCOUNTS

(Rupees in Million)

21. NOTES ON ACCOUNTS (contd.)

	Related Party	Other Related Entities A(a)	Key Management Personnel A(b)	Relatives A(c)	Other Related Entities A(a)	Key Management Personnel A(b)	Relatives A(c)	Other Related Entities A(a)	Key Management Personnel A(b)	Relatives A(c)
iii	**Dividend**									
	Interim Dividend									
	- JHPL	2.01	-	-	1.61	-	-	1.61	-	-
	- UMCPL	0.00	-	-	0.00	-	-	0.00	-	-
	- Udayant Malhoutra	-	2.63	-	-	2.10	-	-	2.10	-
	- Others	1.34	0.00	0.01	1.07	0.00	0.01	1.07	0.00	0.01
	Final Dividend									
	- JHPL	4.02	-	-	2.41	-	-	2.41	-	-
	- UMCPL	3.09	-	-	5.40	-	-	5.40	-	-
	- Udayant Malhoutra	-	5.25	-	-	3.15	-	-	3.15	-
	- Others	2.67	0.00	0.02	1.60	0.00	0.01	1.60	0.00	0.01
iv	**Loans Extended during the year**									
	- GBL	-	-	-	-	-	-	0.00	-	-
v	**Loans repaid by the Company during the year**									
	- J K Malhoutra	-	0.80	-	-	-	-	-	-	-
	- GBL	-	-	-	-	-	-	0.80	-	-
vi	**Shares Issued during the year pursuant to**									
	Merger (Note 17)									
	- UMCPL	6.17	-	-	-	-	-	-	-	-
vii	**Balances as at year end**									
	Outstanding Payables									
	- JHRPL	1.76	-	-	0.61	-	-	-	-	-
	- UMCPL	3.09	-	-	5.40	-	-	5.40	-	-
	- JHPL	4.02	-	-	4.02	-	-	2.41	-	-
	- Udayant Malhoutra	-	5.25	-	-	5.25	-	-	3.15	-
	- Others	2.68	0.00	0.02	2.68	0.00	0.02	1.61	0.02	0.01
	Outstanding Receivables									
	- GBL	2.72	-	-	1.14	-	-	0.08	-	-
	- JHRPL	-	-	-	-	-	-	0.47	-	-
	- VPL	3.50	-	-	3.50	-	-	3.50	-	-
	- Pramilla Malhoutra	-	-	0.80	-	-	0.80	-	-	0.80
	-N Rajgopal	-	0.20	-	-	0.20	-	-	0.20	-
	- Udita Malhoutra	-	-	0.00	-	-	-	-	-	-
	Outstanding Loans Receivables	-	-	-	-	-	-	-	-	-
	-GBL	18.50	-	-	18.50	-	-	18.50	-	-

(Rupees in Million)

21. NOTES ON ACCOUNTS (contd.)	2008	2007	2006

8. Leasing Arrangements

a) Premises, vehicles and other facilities (including those for employee residences) are taken on operating lease. Such leases are generally for a period of 11 to 60 months with options of renewal against increased rent and premature termination of agreement through notice period of 2 to 3 months. The particulars of those leases are as follows:

	2008	2007	2006
Lease rentals (including minimum lease payment of Rs.23,946,574 (2007: Rs. Nil; 2006: Rs. Nil)			
- Included in Rent (Schedule 19)	30.63	6.33	5.51
There are no Contingent Rents.			
Obligations on non-cancellable lease			
Not later than one year	32.02	-	-
Later than one year and not later than five years	48.11	-	-
Later than five years	-	-	-

b) Rental Income includes lease rental received by leasing out machines. These Operating leases are for a period of 1 year with option of renewal with mutual consent and right of lessor to permanently terminate the lease if lessee violates the terms of lease.

	2008	2007	2006
Lease payments received			
- Included in Other Income (Schedule 16)	0.82	0.82	0.87
Details of Assets given on Operating Lease:			
Plant and Machinery			
- Gross Value	21.33	22.20	20.92
- Accumulated Depreciation	16.86	16.52	15.69
- Depreciation for the year	0.82	0.88	0.87

9. Earnings per share

a) Before Extraordinary/ Exceptional item:

	2008	2007	2006
Net profit after tax available for equity shares	215.02	147.83	120.69
Basic/Weighted Average number of Equity Shares of Rs. 10 each	4,203,677	4,193,560	4,193,560
Basic and Diluted Earnings Per Share (Rs.)	51.15	35.25	28.78

b) After Extraordinary/ Exceptional item:

	2008	2007	2006
Net profit after tax available for equity shares	186.22	131.19	115.90
Basic/Weighted Average number of Equity Shares of Rs. 10 each	4,203,677	4,193,560	4,193,560
Basic and Diluted Earnings Per Share (Rs.)	44.30	31.28	27.64

DYNAMATIC TECHNOLOGIES LIMITED
SCHEDULE TO CONSOLIDATED ACCOUNTS

21. NOTES ON ACCOUNTS (contd.)		**2008**	*(Rupees in Million)* **2007**	**2006**
10.	**Taxation:**			
	Deferred Taxation			
	The net Deferred Tax Liability has been arrived at as follows:			
(A)	Deferred Tax Assets arising from:			
(i)	Expenses charged in the financial statements but allowable as deductions in future years			
	- Expenses allowable for tax purposes when paid	4.62	4.29	3.14
	- Provision towards Warranty	1.35	0.22	0.07
	- Provision towards doubtful debts and advances	4.45	2.85	1.66
	- Others	2.19	-	0.03
		12.62	7.36	4.90
(B)	(Less): Deferred Tax Liabilities arising from:			
(i)	Difference between carrying amount of fixed assets in the financial statements and the Income Tax Return.	(166.69)	(119.28)	(89.59)
(ii)	Difference between carrying amount of Miscellaneous Expenditure in the financial statements and the Income Tax Return.	-	(0.01)	(0.02)
		(166.69)	(119.30)	(89.62)
	Net Deferred Tax Liability (A-B)	(154.07)	(111.94)	(84.72)
	Net Deferred Tax (Charge)/Credit for the year	(42.13)	(27.22)	2.78

11. Research and Development (R&D):
a) Fixed Assets used for R&D activities (Gross Block)

	2008	2007	2006
Building	92.62	53.74	-
Plant and Machinery	76.10	76.32	76.32
Measuring Instruments	3.26	3.26	3.24
Electrical Installations	11.76	8.01	0.66
Data Processing Equipments	35.56	33.17	29.78
Office Equipments	4.11	2.12	1.15
Furniture And Fixtures	7.48	6.13	1.67
Tools, Dies And Moulds	-	-	0.42
	230.88	182.76	113.24
b) The following Income and Expenditure, of R&D Centres, has been included under respective heads of accounts in the Profit and Loss Account.			
Income:			
Income From Services	5.41	10.87	1.08
Expenditures:	-	-	-
Material Consumed	0.92	0.59	0.17
Employee Cost	18.48	1.54	2.87
Interest	0.54	0.54	0.54
Other Expenses	13.00	8.23	8.20
	32.94	10.90	11.79

12. **Provisions**

Product Warranty [Note 1(i) above]

21. NOTES ON ACCOUNTS (contd.)		2008	2007	2006
				(Rupees in Million)
	At beginning of the year	1.65	1.00	0.37
	Add: Provisions made during the year	5.92	1.99	1.70
	Less: Utilised during the year	3.34	1.33	1.07
	At the end of the year	4.23	1.65	1.00

13. Extraordinary/ Exceptional:

(i)	Capital Work in Progress written off (Note a)	-	-	4.79
(ii)	Non Compete Fee and related expenses (Note b)	-	16.64	-
(iii)	Merger Expenses [Schedule 21 Note 4(c)]	2.60	-	-
(iv)	Formation Expenses [Schedule 21 Note 17(c)]	26.19	-	-
		28.79	16.64	4.79

a) Pursuant to negotiation with a foreign customer,JKM Daerim Automotive Limited, agreed to change its plan to supply different auto components instead of the auto components earlier intended to be purchased by the customer. Consequently, the related expenditure incurred for the discontinued project has been written off as extraordinary item.

b) The erstwhile JKM Daerim Automotive Limited [Note (4) above], has entered into Non-Compete Agreement dated September 15, 2006 with Dae Rim Enterprise Co Limited (Korea). As per the terms of the said agreement Dae Rim Enterprises Co Limited or its wholly owned subsidiaries or its affiliates will not compete in any manner directly or indirectly for a period of 4 years with the business of the Company. An amount of Rs.16,000,000 has been paid as Non Compete Fee and Rs.640,779 as other related expenses in this regard as extraordinary item. This has been considered as allowable expenditure under the Income Tax Act.

14. The Company has imported certain machinery under the 'Export Promotion Capital Goods' (EPCG) scheme. According to the said scheme, the Company is entitled to import machinery at concessional customs duty with an obligation to export eight times of duty savings within a period of eight years.

	The details of export obligation are as under:			
	EPCG			
	Export Obligation at the beginning of the year	435.94	373.24	434.18
	Add: Export Obligation accrued during the year	105.11	120.03	67.10
	(Less): Exports made during the year	(191.32)	(57.33)	(128.03)
	Export Obligation as at the end of the year	349.72	435.94	373.24

15. The Company was allowed to defer the payment of Sales taxes in respect of two of its divisions for a period of nine years in each case. The sales taxes so deferred is in the nature of interest free unsecured loan repayable after the expiry of the deferment period, on a year to year basis (the first repayment falls due in September 2010) . Accordingly, the sales tax loan aggregating to Rs 44,373,219 (2007: Rs 44,373,219; 2006: Rs.39,539,559) so deferred has been disclosed as Unsecured Loan.

16. Motor cars purchased under Hire Purchase Agreements have been given to certain employees for their use under the terms the said cars will be transferred to the related employees at Rs.180,000 per car after 5 years. The aforesaid amount is deductible in 60 monthly equal instalments from their salary. The deduction at the year end Rs. 1,939,483 (2007: Rs.1,417,817; 2006: Rs.531,000) has been considered as deposits received from employees and included under Current Liabilities.

17. Acquisition of Business

a) In terms of the Business Purchase Agreement dated May 31, 2007 between the Dynamatic Limited, UK (DL) and Sauer Danfoss Ltd, DL has acquired, as on June 15, 2007 the following assets and liabilities relating to the Hydraulics business of Sauer Danfoss Ltd as a going concern on slump sale basis for a consideration of Rs.363,672,681, the details of which are as follows:

	(only for 2008)
Fixed Assets	151.13

(Rupees in Million)

21. NOTES ON ACCOUNTS (contd.)	2008	2007	2006
Current Assets, Loans and Advances			
Inventories		130.04	-
Sundry Debtors		154.84	-
Loans and Advances		14.88	299.76
(Less): Current Liabilities and Provisions			
Sundry Creditors - Others		(82.31)	-
Provisions - Leave Encashment		(4.90)	(87.21)
Net Current Assets			212.55
Net Assets/ Purchase consideration			363.67

b) Fixed Assets, Current Assets and Liabilities have been recognised in these accounts on the basis of their fair values at the date of acquisition, as determined by management.

c) The expenses related to the acquisition of the Business amounting to Rs.26,189,916 has been treated as Extraordinary/ Exceptional item in the Profit and Loss Account

18. In respect of JKM Research Farm Limited (JRFL), a subsidiary company:

a) Advances on capital account include Rs.7,890,872 (2007: Rs.7,888,872; 2006: Rs.7,699,000) towards land and its development cost pending tranfer of ownership in favour of JRFL. In respect of a portion of land measuring 49 acres and 4 guntas, a suit has been filed with the Civil Judge (Senior division), Doddaballapur Court by JRFL against the transferor for specific performance of the contract. JRFL has obtained an ad-interim injunction against the transferor from alienating the property.

b) Based on management's plan, Inventory of Rs.12,463,453 (2007: Rs.12,463,453; 2006: Rs.12,463,453) and Debtor balances of Rs.4,733,640 (2007: Rs.4,733,640; 2006: Rs.4,733,640) are considered as good and fully realisable/ recoverable.

19. The Group has re-evaluated the recoverable amount of assets as at the year end and there were no indications that the assets are impaired.

20. **Secured Loan:**
i) Term Loans taken from Financial Institutions (in Rupees) are secured against certain movable fixed assets of JKM Automotive division.

ii)(a) Foreign Currency term loans from banks amounting to Rs.280,781,560 (2007: Rs.99,154,800; 2006: Nil) have been secured, ranking pari passu among the lenders, by way of first charge on fixed assets [other than those referred in (i) above and (v) below] of JKM Automotive division.

ii)(b) Rupee term loans from Banks amounting to Rs.107,234,055 (2007: Rs.133,306,493; 2006: Rs.105,017,915) have been secured, ranking pari passu among the lenders, by way of first charge on fixed assets [other than those referred in (i) above and (v) below] and has been secured by way of second charge on current assets of JKM Automotive division.

iii) Foreign Currency term loans from banks amounting to Rs.76,000,000 (2007: Rs.Nil; 2006: Rs.Nil) and Rupee term loans from Banks amounting to Rs.193,636,862 (2007: Rs.176,193,652; 2006: Rs.181,410,672) have been secured, ranking pari passu among the lenders, by way of first charge on fixed assets and second charge on current assets of Hydraulic division.

iv) Foreign Currency term loans from banks amounting to Rs.128,907,508 (2007: Rs.Nil; 2006: Rs.Nil) and Foreign Currency Working Capital Loans from Banks amounting to Rs. 224,851,495 (2007: Rs.Nil; 2006: Rs.Nil) taken by subsidiaries is secured by pledge of equity shares of the foreign subsidiaries (namely JKM Global Pte Ltd and Dynamatic Limited, UK) and is also guaranteed by the Holding Company (DTL).

(Rupees in Million)

21. NOTES ON ACCOUNTS (contd.)	2008	2007	2006

v) Hire Purchase loans are secured against vehicles purchased from such loans.

vi) Rupee Working Capital Loans from Banks amounting to Rs.246,780,754 (2007: Rs.112,104,796; 2006: Rs.91,651,728) has been secured, ranking pari passu among the lenders, by way of first charge on current assets and second charge on fixed assets [other than those referred in (i) and (v) above] of JKM Automotive division.

vii) Rupee Working Capital Loans from Banks amounting to Rs.285,052,958 (2007: Rs.172,498,913; 2006: Rs.115,470,168) has been secured, ranking pari passu among the lenders, by way of first charge on current assets and second charge on fixed assets of Hydraulic division.

21. Arising from the adoption of the Companies (Accounting Standards) Rules, 2006, which become effective during the year ended March 31, 2008. exchange differences of Rs.7,345,790 in respect of liabilities towards imported fixed assets have been charged off in the Profit and Loss Account which hitherto were capitalized having consequential effect on the profits for the year and on the net worth of the Group.

22. Derivative transactions

I. (a) External Commercial Borrowings (ECB) by the Company in Japanese Yen (JPY) has been swapped into US Dollar (USD) both towards principal repayments and interest liabilities. The Company has entered into an embedded USD/INR option for hedging the intermediate exchange of principal and interest for part of the swapped value. The swap and the embedded option are co-terminus with the Loan agreement and it is the intention of the management not to foreclose the above arrangement during the tenure of the Loan and hence no loss is anticipated in this regard from fluctuations in JPY.

(b) Due to expected increase in the Company's export receivables, the Company has hedged a part of its future USD receivables amounting to USD 9,000,0000 to mitigate its foreign exchange fluctuation risks.

II Derivative instruments outstanding as at the year end:

a) **Contract for swap of JPY to USD**
2 (2007: 1) outstanding swap contracts to hedge the foreign currency exposure arising on ECB:

Currency			
JPY	823.00	543.00	-
Equivalent USD	7.02	4.59	-
Equivalent Rs.	280.78	200.78	-

b) **Embedded option for intermediate exchange of principal**
1 (2007: 1) outstanding embedded option contract for intermediate exchange of principal and interest arising from (a) above:

Currency			
USD	2.30	2.30	-
Equivalent Rs.	91.85	91.85	-

c) **Cash Flow Hedge**
1 (2007: Nil) outstanding contract for hedging future cashflow (in USD)

Currency			
USD	9.00	-	-
Equivalent Rs.	360.00	-	-

II The above derivative contracts have been marked to market based on the bankers certificate resulting in a net gain at the Balance Sheet date. In view of the principle of prudence as enunciated in
AS 1 - Disclosure of Accounting Policies, and the Announcement of the ICAI (dated March 29, 2008) on 'Accounting for Derivatives', the net gain of Rs.17,410,210 (2007:Rs Nil) has not been
accounted for in the books.

(Rupees in Million)

21. NOTES ON ACCOUNTS (contd.)	2008	2007	2006

III Foreign Currency Exposures not hedged by a derivative instrument or otherwise:

As of the Balance Sheet date, the foreign currency exposure arising out of operations in India and not hedged by a derivative instrument or otherwise represents:

	2008	2007	2006
Receivables	94.55	77.66	58.25
Payables	356.51	209.61	178.58

(Rupees in Million)

21. NOTES ON ACCOUNTS (contd.)

23. Fixed assets includes certain assets, which were revalued during the year ended March 31, 1992. The details of such revaluations are as under:

Particulars of Fixed Assets	Value added on Revaluation included under Gross Block			Value added on Revaluation included under Net Block		
	2008	**2007**	**2006**	**2008**	**2007**	**2006**
Land and Development	13.01	13.01	13.01	12.90	12.90	12.90
Buildings	9.51	9.51	9.51	4.46	4.56	4.98
Electrical Installations	0.62	0.62	0.62	0.16	0.19	0.22
	23.14	**23.14**	**23.14**	**17.52**	**17.65**	**18.11**

24. Shareholders' approval has been obtained in the Extra-Ordinary General Meeting held on June 30, 2008 for raising of funds from domestic/ foreign investors by way of issuance of securities, as may be permitted under applicable laws.

25. Profit / Loss for the year ended March 31, 2008 allocable to minority share holders interest (comprising 70 equity shares of Rs.10 each of JKM Research Farm Limited held by the nominees of the Company) has not been considered on account of materiality.

26. Prior period depreciation Rs.1,870,620 for the year ended March 31, 2006 has been adjusted against brought forward Profit and Loss Account Balance

27. (i) Current year figures in the accounts are after giving effect to the operations of the new ultimate subsidiary (namely Dynamatic Limited, UK) and accordingly the current year figures are not comparable with those of the previous years.

(ii) Figures for the previous years have been regrouped / rearranged, wherever necessary.

N RAJAGOPAL
ED & COO

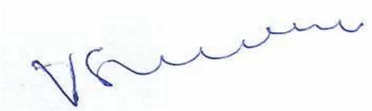
Dr. K. APRAMEYAN
Director

G.HARITHA
Company Secretary

Place: Bangalore
Date: July 21, 2008

DECLARATION

Our Company certifies that all relevant provisions of Chapter XIII-A of the SEBI Guidelines have been complied with and no statement made in this Placement Document is contrary to the provisions of Chapter XIII-A of the SEBI Guidelines and that all approvals and permissions required to carry on our business have been obtained, are currently valid and have been complied with. Our Company further certifies that all the statements in this Placement Document are true and correct.



V SUNDER
PRESIDENT AND GROUP CHIEF FINANCIAL OFFICER

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