

ANNUAL REPORT

2006-07

DYNAMATIC TECHNOLOGIES LIMITED

think. act



DYNAMATIC TECHNOLOGIES LIMITED

ANNUAL REPORT 2006-07

There is nothing impossible to him who will try.

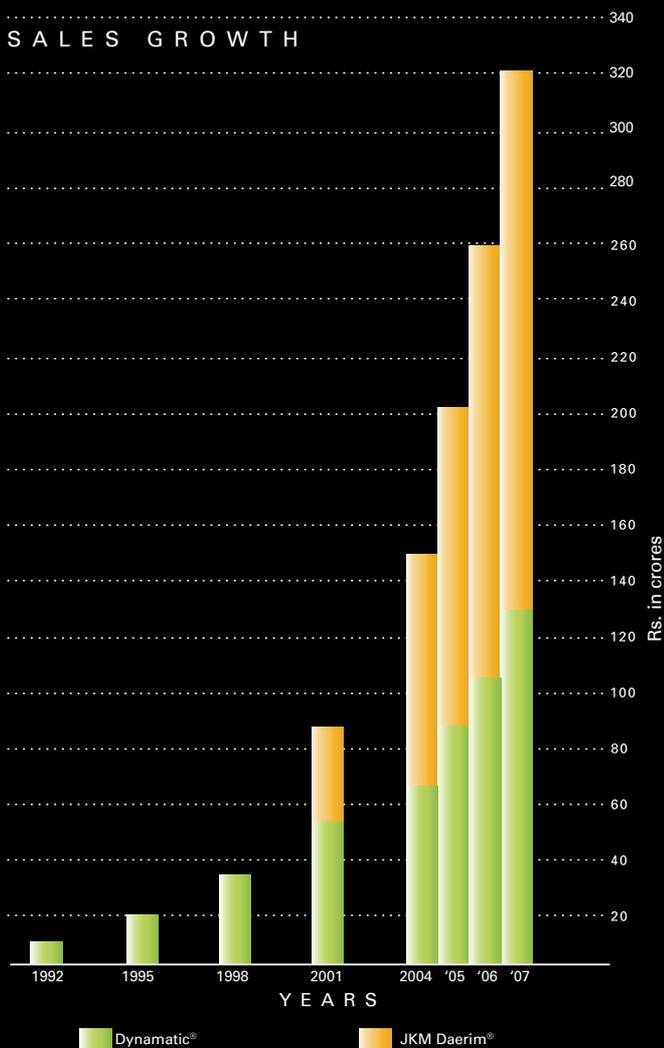
- Alexander the Great

Dear Fellow Shareholder,

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

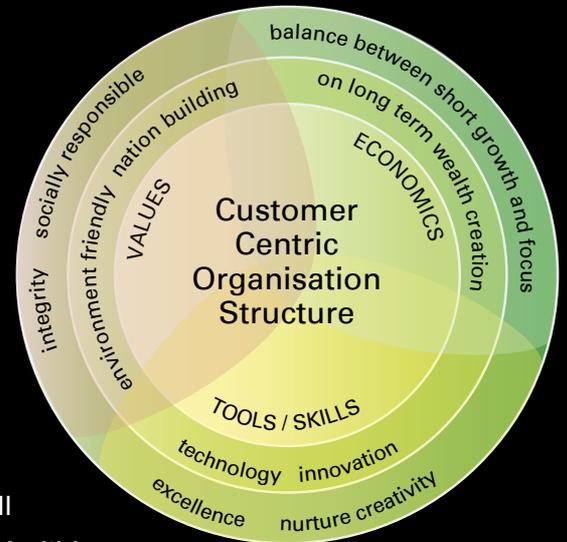
During the year under review, your Company along with its Subsidiaries has recorded a growth rate of 23.13% in aggregated sales. Gross Sales of Rs. 3,191.5 Million (aggregated with Subsidiaries) was the highest ever recorded by your Company.

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



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

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



Action expresses priorities.

- Mahatma Gandhi

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

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



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

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



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

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

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

During the year under review, your



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

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

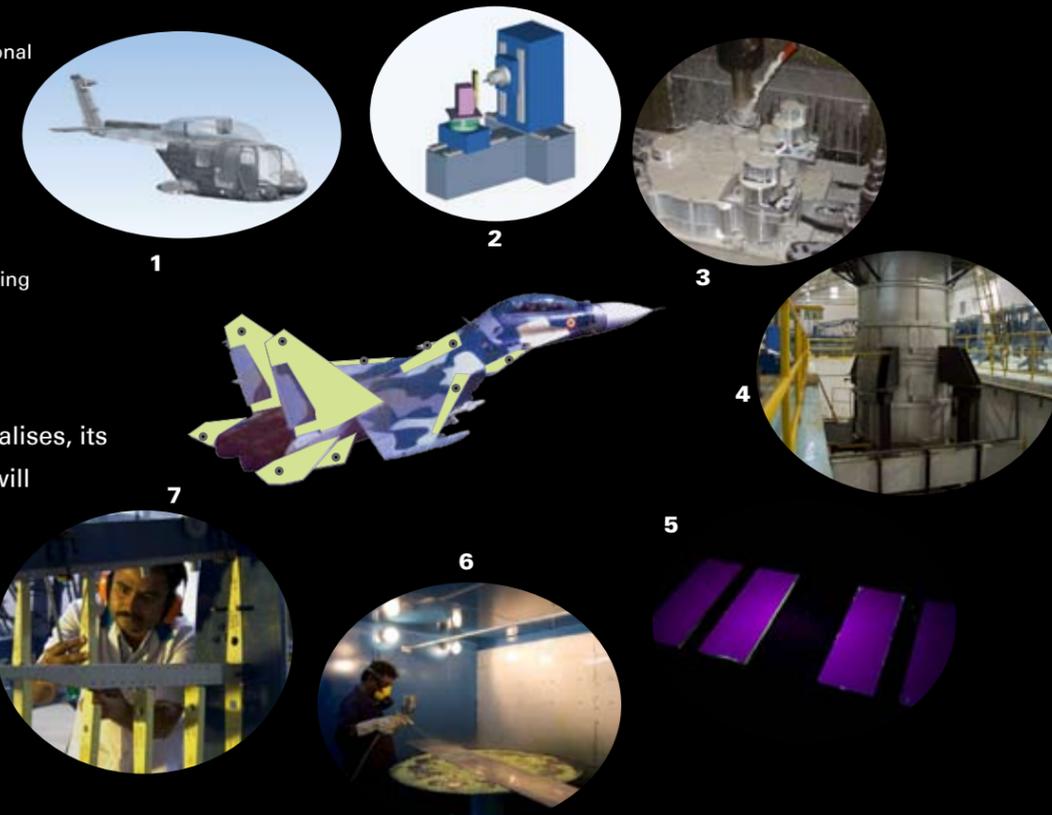
The Board of Directors believe that this acquisition will grant Dynamatic® quick and easy access to the European and US markets, bring in new OEM customers while enhancing your Company's potential to develop its aftermarket. Your Company has also acquired broader technologies to support its overall business,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



Dynamatic Limited, UK

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

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



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

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

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

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

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

Udayant Malhoutra
Chief Executive Officer
and Managing Director



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

Dynamatic Technologies Limited

Chairman

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

Director

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

Director

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

Director

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

Director

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

Director

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

Director

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

President & Group Chief Financial Officer

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

Executive Director & Chief Operating Officer

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

Chief Executive Officer & Managing Director

Mr. Udayant Malhoutra
Industrialist
Chairman, JKM Daerim® Automotive Limited
Member, Board of Governors, IIT Kanpur (1997-2001)
Chairman, CII National Technology Committee and
Member, CII National Council (2001-2002)
President, Fluid Power Society of India, 2006-08

BOARD OF DIRECTORS



Shanti Ekambaram
Director, DTL
Member, Audit Committee



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



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



Vijai Kapur
Director, DTL
Chairman, Audit Committee
Member, HRD &
Remuneration Committee



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



Udayant Malhoutra
CEO & Managing Director, DTL
Member, Technical Development Committee
Member, Shareholders Committee
Chairman, JDAL
Chairman, JKM Research Farm Ltd
Chairman, JKM Global Pte Ltd, Singapore
Director, Dynamatic Ltd, UK



V Sunder
President and Group CFO, DTL
Member, Shareholders Committee
Director, JKM Research Farm Ltd
Director, JKM Global Pte Ltd, Singapore
Director, Dynamatic Ltd, UK



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



B Seshnath
Director, DTL
Member, Audit Committee
ED & COO, JDAL



N Rajagopal
ED & COO, Dynamatic®
Hydraulics & Dynametal®
Member, Technical
Development Committee



Raymond K Lawton
Director, DTL
ED & COO, Dynamatic Ltd, UK



S K Kapur
Vice President
Corporate Affairs, DTL



G Parasurami Reddy
Vice President
Dynamatic Aerospace®



G Srinivasan
Vice President
Operations
JDAL



K R Srinivasan
Vice President
Finance &
Corporate Affairs
JDAL



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



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



Ian Patterson
Technical Director
& Chief Technology
Officer Hydraulics,
Dynamatic Ltd, UK



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



Kwangtae Kim
Vice President
Technical
JDAL



Altaf Shareef
General Manager
Information Systems
DTL



G V Gururaj
General Manager
Marketing
Dynamatic® Hydraulics



V K Heblikar
General Manager
Head - Material Sciences
DTL



N Murali
General Manager
Finance
DTL



G Haritha
Company Secretary
DTL

SENIOR MANAGEMENT

JKM Daerim® Automotive Limited

Chairman

Mr. Udayant Malhoutra

Vice-Chairman

Mr. Hyo Kyon Lee

Director

Mr. J. K. Malhoutra

Director

Dr. K. Aprameyan

Executive Director &

Chief Operating Officer

Mr. B. Seshnath

Auditors

Price Waterhouse & Co.
Chartered Accountants, Bangalore

JKM Research Farm Limited

Chairman

Mr. Udayant Malhoutra

Director

Mrs. Pramilla Malhoutra

Director

Mr. V. Sunder

Auditors

B N Govinda Prasad
Chartered Accountants, Bangalore

JKM Global Pte Limited (Singapore)

Chairman

Mr. Udayant Malhoutra

Director

Mr. V. Sunder

Director

Mr. Lim Tiong Beng

Auditors

RSM Chio Lim., Singapore,
Certified Public Accountants

Dynamatic Limited (UK)

Director

Mr. Michael John Handley

Director

Mr. V. Sunder

Director

Mr. Udayant Malhoutra

Executive Director &

Chief Operating Officer

Mr. Raymond Keith Lawton

REGISTERED OFFICE

Dynamatic Park Peenya
Bangalore 560 058

AUDITORS

Price Waterhouse & Co.,
Chartered Accountants, Bangalore

COMPANY SECRETARY

Ms. G. Haritha

REGISTRAR & TRANSFER AGENTS

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

BANKERS

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

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

CONTENTS

CONSOLIDATED FINANCIAL STATEMENTS

Auditors' Report	C-2
Balance Sheet	C-3
Profit and Loss Account	C-4
Cash Flow Statement	C-5
Schedules to Accounts	C-7
Notes on Accounts	C-14

DYNAMATIC TECHNOLOGIES LIMITED

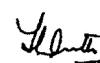
Directors' Report to Shareholders	D-1
Certification by Chief Executive Officer (CEO) & Managing Director and President & Group CFO of the Company	D-6
Management's Discussion and Analysis	D-7
Corporate Governance Report	D-10
Certificate on Corporate Governance	D-21
Corporate Sustainability Report	D-22
Auditors' Report	D-25
Balance Sheet	D-28
Profit and Loss Account	D-29
Cash Flow Statement	D-30
Schedules to Accounts	D-32
Notes on Accounts	D-39
Balance Sheet Abstract	D-49



PLEASE LIFT FOLDOUT FOR CORPORATE STRUCTURE

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

1. We have audited the attached consolidated balance sheet of Dynamatic Technologies Limited and its subsidiaries (Dynamatic Technologies Limited Group) as at March 31, 2007, the consolidated profit and loss account for the year ended on that date annexed thereto, and the consolidated cash flow statement for the year ended on that date, which we have signed under reference to this report. These consolidated financial statements are the responsibility of Dynamatic Technologies Limited's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets of Rs.40,288,251 as at March 31, 2007, total revenues of Rs.4,200,000 and net cash inflow amounting to Rs.1,181,115 for the year ended on that date (before eliminations on consolidation). These financial statements and other information of these subsidiaries have been audited by other auditors, whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of these subsidiaries, is based solely on the report of the other auditors.
4. We report that the consolidated financial statements have been prepared by Dynamatic Technologies Limited's management in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements, issued by The Institute of Chartered Accountants of India.
5. Based on our audit and on consideration of the reports of other auditors on separate financial statements and on the other financial information of the components, in our opinion and to the best of our information and according to the explanations given to us, the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) in the case of the consolidated balance sheet, of the state of affairs of the Dynamatic Technologies Limited Group as at March 31, 2007;
 - ii) in the case of the consolidated profit and loss account, of the profit for the year ended on that date; and
 - iii) in the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.



S. Dutta
Partner

Membership Number – F 50081
For and on behalf of
Price Waterhouse & Co.,
Chartered Accountants

PLACE : BANGALORE
DATE : 7th AUGUST, 2007

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2007

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

Notes on Accounts

21

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


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


J.K. MALHOUTRA
Chairman


UDAYANT MALHOUTRA
CEO and
Managing Director

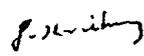

VIJAI KAPUR
Director


V. SUNDER
President and Group CFO


N. RAJAGOPAL
Executive Director & COO


Dr. K. APRAMEYAN
Director

PLACE : BANGALORE
DATE : 7th AUGUST, 2007


Air Chief Marshal (Retd.)
S. KRISHNASWAMY
Director


N. MURALI
G M - Finance


G. HARITHA
Company Secretary

PLACE : BANGALORE
DATE : 7th AUGUST, 2007

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

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

Notes on Accounts

21

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

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

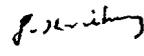

S. Dutta

Partner

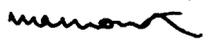
For and on behalf of
Price Waterhouse & Co.,
Chartered Accountants

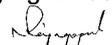

J.K. MALHOUTRA
Chairman


V. SUNDER
President and Group CFO


Air Chief Marshal (Retd.)
S. KRISHNASWAMY
Director

PLACE : BANGALORE
DATE : 7th AUGUST, 2007


UDAYANT MALHOUTRA
CEO and
Managing Director


N. RAJAGOPAL
Executive Director & COO


N. MURALI
G M - Finance


VIJAI KAPUR
Director


Dr. K. APRAMEYAN
Director


G. HARITHA
Company Secretary

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

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

2007
Rs.

2006
Rs.

C. Cash flow from financing activities:

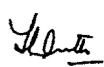
Proceeds from long term borrowings	174,637,101	(64,748,424)
Proceeds from short term borrowings(NET)	(10,000,000)	(10,197,431)
Proceeds from fixed deposits (NET)	1,929,000	5,385,000
Proceeds from Cash Credits (NET)	46,481,813	44,935,883
Interest Paid	(66,628,496)	(58,655,524)
Dividend Paid	(14,740,680)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

Notes :

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

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

For and on behalf of the Board of Directors


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


J.K. MALHOUTRA
Chairman


UDAYANT MALHOUTRA
CEO and
Managing Director

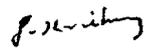

VIJAI KAPUR
Director

PLACE : BANGALORE
DATE : 7th AUGUST, 2007


V. SUNDER
President and Group CFO


N. RAJAGOPAL
Executive Director & COO


Dr. K. APRAMEYAN
Director


Air Chief Marshal (Retd.)
S. KRISHNASWAMY
Director


N. MURALI
G M - Finance


G. HARITHA
Company Secretary

PLACE : BANGALORE
DATE : 7th AUGUST, 2007

SCHEDULES TO CONSOLIDATED ACCOUNTS

	2007 Rs.	2006 Rs.
1. CAPITAL		
Authorised:		
20,000,000 (2006 - 20,000,000) Equity Shares of Rs.10 each.	200,000,000	200,000,000
500,000 (2006 - 500,000) Redeemable Cumulative Preference shares of Rs 100 each	50,000,000	50,000,000
	250,000,000	250,000,000
Issued, Subscribed and Paid-up:		
4,193,560 (2006 - 4,193,560) Equity Shares of Rs.10 each fully paid up	41,935,600	41,935,600
	41,935,600	41,935,600
Note:		
Of the above, 1,048,390 (2006: 1,048,390) shares are allotted by way of bonus shares by capitalisation of securities premium and capital redemption reserve.		
2. RESERVE AND SURPLUS		
Securities Premium Account	600,000	600,000
Capital Reserve	4,000,000	4,000,000
Capital Redemption Reserve	24,000,000	24,000,000
Foreign Currency Translation Reserve	1,069	1,950
Revaluation Reserve :		
As per Last Balance Sheet	18,107,087	18,578,613
(Less):		
- Additional depreciation charge on revalued fixed assets transferred to Profit and Loss Account [Schedule 21 Note 1b]	(341,996)	(345,417)
- Valuation Adjustment on Fixed Assets discarded during the year	-	(126,109)
	17,765,091	18,107,087
General Reserve :		
As per Last Balance Sheet	176,824,856	113,695,872
Add/(Less):		
- Transferred from Profit and Loss account	81,799,614	63,128,984
Profit and Loss Account	99,896,168	76,810,587
	404,886,798	300,344,480

	2007 Rs.	2006 Rs.
3. SECURED LOANS		
Term Loans:		
Kotak Mahindra Bank Ltd (Note 1 below) [Repayable within one year Rs. 32,934,342 (2006: Rs.22,254,449)]	95,318,593	72,196,685
UTI Bank Ltd (Note 1 below) [Repayable within one year Rs. 134,375,400 (2006: Rs.22,769,492)]	85,099,491	57,662,250
Punjab National Bank (Note 1 below) [Repayable within one year Rs.18,000,000 (2006: Rs.18,434,805)]	45,775,568	51,551,737
ICICI Bank (Note 1 below) [Repayable within one year Rs.6,653,252 (2006: Rs. 22,648,928)]	13,306,493	35,955,415
Infrastructure Leasing and Financial Services Limited (Note 2 below) [Repayable within one year Rs.37,187,500 (2006: Rs. 21,250,000)]	47,812,500	69,062,500
GE Capital Services India (Note 2 below) [Repayable within one year Rs.4,220,004 (2006: Rs. 4,220,004)]	10,549,990	14,769,994
Foreign Currency Non-Repatriable Loan [FCNR(B)] from HDFC Bank (Note 1 below) [Repayable within one year Rs. 14,285,714 (2006: Rs. NIL)]	70,000,000	-
Standard Chartered Bank (Note 3 below) [Repayable within one year Rs. NIL (2006: Rs. NIL)]	99,154,800	-
Interest Accrued and Due	395,617	151,260
Cash Credit and Working Capital Loans:		
From Banks (Note 4 below)	284,603,709	238,121,896
Vehicle Loans: (Note 5 below)		
From Banks	7,313,071	9,795,950
From Financial Institutions	6,607,753	140,286
[Repayable within one year Rs.6,623,345 (2006: Rs.6,564,848)]		
	765,937,585	549,407,973

Notes:

- Secured by first charge on Fixed Assets, both present and future, ranking pari passu among the lenders of Dynamatic Technologies Limited and secured by first charge on immovable properties and all movable fixed assets other than certain specific movable fixed assets for which separate charges have been created for specific loans taken as indicated in Note (2) below for JKM Daerim[®] Automotive Limited
- Secured by charge on specified movable fixed assets of JKM Daerim[®] Automotive Limited
- Secured by first charge on immovable property and current assets, both present and future ranking pari passu with other lenders of Dynamatic Technologies Limited.
- Secured by first and/or second charge on immovable property and/or current assets ranking pari passu with other lenders of Dynamatic Technologies Limited and Secured by first charge on inventory, book debts, and a second charge on all movable fixed assets ranking pari passu amongst the lenders of JKM Daerim[®] Automotive Limited
- Secured by way of Hypothecation of Vehicles of Dynamatic Technologies Limited and JKM Daerim[®] Automotive Limited

4. UNSECURED LOANS

Short Term Loans:

Punjab National Bank	-	10,000,000
Loan from a Director	800,000	800,000
Inter Corporate Deposits	10,050,000	10,050,000
Public Deposits [Repayable within one year Rs.10,776,000 (2006: Rs.6,536,500)]	17,944,500	16,015,500
Others		
Sales Tax Deferred	44,373,219	39,539,559
	73,167,719	76,405,059

5. FIXED ASSETS

[Schedule 21 Note 1(b)]

Rupees

	GROSS BLOCK - AT COST OR REVALUATION				DEPRECIATION			NET BLOCK		
	2006	Additions	Deletions	2007	2006	Additions	Deletions	2007	2007	2006
Tangible Assets										
Land and Development (Note 1)	29,764,132	-	-	29,764,132	-	-	-	-	29,764,132	29,764,132
Buildings	144,113,783	60,510,318	1,629,524	202,994,577	25,178,070	4,951,756	231,109	29,898,717	173,095,860	118,935,713
Plant and Machinery (Note 2, 3, 4 and 5)	856,113,182	190,257,884	3,806,216	1,042,564,850	393,357,267	76,753,802	3,420,983	466,690,086	575,874,764	462,755,915
Measuring Instruments	15,585,961	725,335	27,262	16,284,034	8,277,295	697,738	21,378	8,953,655	7,330,379	7,308,666
Electrical Installations	26,456,390	7,548,700	-	34,005,090	8,365,916	1,273,279	-	9,639,195	24,365,895	18,090,474
Data Processing Equipment	36,883,007	7,828,781	2,661,971	42,049,817	25,591,436	4,890,993	2,491,608	27,990,821	14,058,996	11,291,571
Office Equipment	16,610,726	2,487,926	571,217	18,527,435	5,610,292	2,069,333	393,746	7,285,879	11,241,556	11,000,434
Furniture and Fixtures	15,811,478	5,225,680	9,317	21,027,841	7,453,809	1,519,152	987	8,971,974	12,055,867	8,357,669
Tools, Dies and Moulds	47,287,462	6,005,981	19,115,643	34,177,800	23,696,123	3,863,466	14,872,342	12,687,247	21,490,553	23,591,339
Vehicles (Note 7)	29,260,513	11,938,828	1,361,164	39,838,177	7,488,761	3,256,184	505,479	10,239,466	29,598,711	21,771,752
Intangible Assets										
Application Software	18,539,160	1,083,254	-	19,622,414	13,894,841	647,119	-	14,541,960	5,080,454	4,644,319
2006	1,148,066,804	95,345,133	6,986,143	1,236,425,794	433,027,964	99,922,822	4,953,141	518,913,810	903,957,167	717,511,984
Capital Work-in-Progress [Including Capital Advances of Rs. 23,380,474 (2006 :Rs. 11,770,496)]									252,657,842	108,196,235
									1,156,615,009	825,708,219

NOTES:

- Land and Developments includes leasehold land Rs.11,133,621 (2006: Rs.11,133,621)
- Includes Machinery spares of irregular usage. [Original Cost Rs.4,102,615 (2006: Rs.4,102,615), Written Down Value Rs.168,007 (2006: Rs.208,822)]
- Book Value of Plant and Machinery is net of subsidy received from the Tamil Nadu Industrial Investment Corporation Limited Rs. 1,877,000 (2006: Rs. 1,877,000).
- Plant and Machinery includes machineries leased to third parties Rs. 22,199,039 (2006:Rs.20,923,478) [Schedule 21 Note 6 b]
- Additions to Plant and Machinery are net of foreign exchange gain Rs Nil (2006: Rs. 417,250).
- Land and Development, Buildings and Electrical Installations includes value added on revaluation Rs. 17,654,029 (2006: Rs. 18,107,087)
- Vehicles includes Vehicles pending registration in the name of JKM Daerim® Automotive Limited.
- Plant and Machinery, Tools, Dies and Moulds and Capital Work-in-progress includes borrowing costs capitalised during the year Rs 6,171,145 (2006: Rs. 1,366,657).

	2007	2006
9. Depreciation as above	99,922,822	90,838,987
Less: Prior Period Depreciation	-	1,870,620
	99,922,822	88,968,367

	2006 Rs.	Additions Rs.	2007 Rs.	2006 Rs.
6. INCIDENTAL EXPENDITURE DURING CONSTRUCTION PERIOD [Schedule 21 Note 15]				
Employee Cost:				
Salaries, Wages and Bonus	10,281,913	14,176,874	24,458,787	10,281,913
Other Expenses:				
Raw Material Labour Charges	126,455	2,814,989	2,941,444	126,455
Consumables and Tools	1,225,876	2,404,165	3,630,041	1,225,876
Power and Fuel	931,343	1,872,462	2,803,805	931,343
Travelling Expenses	1,792,625	2,333,056	4,125,681	1,792,625
Interest on borrowings	-	226,355	226,355	-
Miscellaneous Expenses	9,946	55,655	65,601	9,946
	<u>14,368,158</u>	<u>23,883,556</u>	<u>38,251,714</u>	<u>14,368,158</u>
(Less): Sale out of Trial Production	(473,000)	(3,677,032)	(4,150,032)	(473,000)
	<u>13,895,158</u>	<u>20,206,524</u>	<u>34,101,682</u>	<u>13,895,158</u>
7. INVESTMENTS [Schedule 21 Note 1 e]				
Long term-Other than Trade- unquoted:				
Fully Paid up Shares at Cost:				
921,530 (2006:921530) fully paid Equity Shares of Rs.10 each of Murablack (India) Ltd.			9,215,300	9,215,300
Other Investments at Cost:				
3 (2006:3) Deep Discount Bonds of Rs. 5,000 each of Krishna Bhagya Jala Nigam Ltd			15,000	15,000
Nil (2006:4,000) Equity Shares of Rs. 25 each of Shamrao Vithal Co-op Bank Ltd			-	100,000
			<u>9,230,300</u>	<u>9,330,300</u>
Less: Provision for Diminution in Value of Investments			<u>9,215,299</u>	<u>9,215,299</u>
			<u>15,001</u>	<u>115,001</u>
8. INVENTORIES [Schedule 21 Note 1f]				
Stores and Spares			39,243,535	32,258,900
Raw Materials including components (Note)			179,433,758	162,327,091
Rose Plants			12,463,453	12,463,453
Work-in-progress			30,953,330	22,821,253
Finished Goods			48,151,868	45,396,887
			<u>310,245,944</u>	<u>275,267,584</u>
Note:				
Including:				
- Raw materials in transit Rs.21,752,301 (2006: Rs.18,527,463)				
- Raw materials and components lying with Third parties Rs.20,691,130 (2006: Rs29,110,415)				
9. SUNDRY DEBTORS (Unsecured)				
Exceeding Six months				
Considered Good			40,042,137	27,509,842
Considered Doubtful			7,468,246	4,098,434
Other Debts				
Considered Good			489,299,168	400,028,187
			<u>536,809,551</u>	<u>431,636,463</u>
Less: Provision for Doubtful Debts			<u>7,468,246</u>	<u>4,098,434</u>
			<u>529,341,305</u>	<u>427,538,029</u>

	2007 Rs.	2006 Rs.
10. CASH AND BANK BALANCES		
Cash on hand	917,463	331,346
Balance with Scheduled Banks:		
Current Accounts	11,200,544	7,888,159
Unpaid Dividend Accounts (Schedule 21 Note 19)	1,212,733	1,209,277
Fixed Deposits	3,690,471	12,955,319
Margin Money Account	9,569,774	10,947,369
	<u>26,590,985</u>	<u>33,331,470</u>
11. OTHER CURRENT ASSETS (Unsecured, Considered Good)		
Accrued Interest	1,144,632	-
Balance with Excise Authority	1,616,893	179,156
Other Deposits	19,263,986	16,419,906
	<u>22,025,511</u>	<u>16,599,062</u>
12. LOANS AND ADVANCES (Unsecured, Considered Good except as otherwise stated)		
Inter-Corporate Loans	23,500,000	23,500,000
Loans to Employees	2,267,902	2,884,908
Prepaid Expenses	2,187,666	3,305,786
Advances recoverable in cash or in kind or for value to be received [Including Rs.904,125(2006: Rs.840,495) considered doubtful]	64,536,738	36,895,030
Advance Fringe Benefit Tax [Net of Provision Rs. 1,335,000 (2006: Rs. 3,817,669)]	265,000	228,487
	<u>92,757,306</u>	<u>66,814,211</u>
Less: Provision for Doubtful Advances	904,125	840,495
	<u>91,853,181</u>	<u>65,973,716</u>
13. CURRENT LIABILITIES		
Acceptances	258,870,492	-
Sundry Creditors:		
Small Scale Industrial undertakings	105,010,174	54,142,645
Others	228,420,163	310,568,656
Advance from Customers	6,105,612	7,567,934
Interest Accrued but not Due	2,487,223	2,060,764
Unclaimed Dividend	1,213,497	1,208,732
Other Liabilities (Schedule 21 Note 16)	58,303,515	136,563,545
	<u>660,410,676</u>	<u>512,112,276</u>
14. PROVISIONS		
Gratuity	4,891,017	2,054,441
Leave Encashment	7,280,953	5,500,663
Wealth Tax	147,026	60,433
Product Warranty Provision [Schedule 21 Note 7]	1,654,917	1,000,000
Current Taxation [Net of Advance payments Rs.97,215,012 (2006:Rs 64,890,300)]	3,903,806	13,749,673
Proposed Dividend	26,367,800	14,740,680
Dividend Tax thereon	6,962,429	2,886,440
	<u>51,207,948</u>	<u>39,992,330</u>

	2007 Rs.	2006 Rs.
15. SALES AND SERVICES		
Sales:[Schedule 21 Note 1g]		
- Manufactured Goods	2,901,295,595	2,355,923,982
- Traded Items	2,576,898	3,733,046
Services:		
- Sub Contract Charges	6,899,616	11,539,254
- Service Charges	10,866,489	1,076,697
- Handling Charges	1,253,753	1,241,436
	<u>2,922,892,351</u>	<u>2,373,514,415</u>
16. OTHER INCOME		
Interest		
- Banks (Gross) [Tax deducted at source Rs .204,112 (2006: Rs 187,950)]	1,454,742	1,660,159
- Others (Gross) [Tax deducted at source Rs.392,830 (2006: Rs 229,490)]	1,792,850	1,213,961
Dividend Income	-	18,000
Rental Income [Schedule 21 Note 6b]	823,840	868,642
Sale of Scraps [Net of excise duty Rs .7,293,904 (2006: Rs 4,287,358)]	42,893,186	25,613,347
Liabilities written back	568,694	2,343,474
Exchange Gain (Net)	2,164,956	-
Miscellaneous Receipts	37,195	1,289,749
	<u>49,735,463</u>	<u>33,007,332</u>
17. MATERIALS CONSUMED		
Raw Materials and Components (Note)	1,488,706,336	1,153,004,347
Traded Items	636,136	1,186,842
	<u>1,489,342,472</u>	<u>1,154,191,189</u>
Movements in Stocks:		
Opening Stock		
- Work-in-progress	22,821,253	27,149,876
- Finished Goods	45,396,887	37,252,257
	<u>68,218,140</u>	<u>64,402,133</u>
Closing Stock:		
- Work-in-progress	30,953,330	22,821,253
- Finished Goods	48,151,868	45,396,887
	<u>79,105,198</u>	<u>68,218,140</u>
(Increase)/ Decrease	(10,887,058)	(3,816,007)
Excise Duty on Opening Stock of Finished Goods	10,289,085	6,176,712
Excise Duty on Closing Stock of Finished Goods	9,641,354	10,289,085
Increase/ (Decrease)	(647,731)	4,112,373
	<u>1,477,807,683</u>	<u>1,154,487,555</u>
Note:		
- Including Value of Stock written down Rs. 9,493,181 (2006: Rs. 4,581,606)		
- Including transfer from IEDC stock Rs.Nil (2006:Rs.1,658,974)		
18. EMPLOYEE COST		
Salaries, Wages and Allowances (Note 1 below)	173,043,755	148,803,824
Contribution to Provident and Other Funds (Note 2 below)	20,841,180	15,592,338
Staff Welfare Expenses	25,444,059	20,284,642
	<u>219,328,994</u>	<u>184,680,804</u>
Notes:		
1. Including Provision for Leave Encashment Rs.2,402,837 (2006: Rs.1,189,880)		
2. Including Provision for Gratuity Rs.3,616,660 (2006: Rs. 2,054,441)		

2007
Rs.2006
Rs.**19. OTHER OPERATING EXPENSES**

Power, Fuel and Utilities	57,096,161	52,773,568
Stores and Spares Consumed	103,243,442	79,329,571
Rates and Taxes	10,099,418	7,472,269
Rent (Schedule 21 Note 6 a)	6,327,615	5,506,830
Insurance	4,767,068	3,725,775
Repairs and Maintenance		
- Plant and Machinery	15,200,585	10,775,211
- Buildings	1,978,168	1,901,783
- Others	14,676,245	10,084,069
Carriage Outward	15,480,518	15,009,521
Travelling and Conveyance	23,690,097	26,668,488
Vehicle Maintenance	3,350,348	4,727,446
Printing and Stationery	4,928,960	4,444,541
Communication	7,964,201	7,374,591
Professional and Consultancy Charges	16,037,290	12,087,645
Royalty	-	5,022,907
Exchange Loss (Net)	1,536,942	4,709,998
Bad Debts written off	1,752,676	1,986,384
Doubtful advances written off	3,805	-
Loss on Sale/ Scrapping of Fixed Assets (Note)	1,943,061	456,345
Product Warranty (Including Provision Rs 1954,843 (2006: Rs. 1,701,344))	1,985,687	1,701,344
Technical Assistance Charges	3,476,600	3,034,382
Advertisement and Sales Promotion	5,739,276	4,548,128
Packing and Forwarding (Net)	6,818,310	6,307,106
Discount on Sales	2,607,464	2,634,152
Commission on sales	309,895	652,942
Bank Charges	8,552,135	8,939,549
Donations	197,500	371,850
Directors Sitting Fees	920,000	620,000
Miscellaneous Expenditure Written Off	28,313	4,682,000
Provision for Bad and Doubtful Debts	3,369,813	4,098,434
Provision for Doubtful Advances	63,630	840,495
Provision for Diminution in the value of Investment	-	92,152
Miscellaneous Expenses	12,160,244	11,229,834
	336,305,467	303,809,310

Note:

Net of amount transferred from Revaluation Reserve Rs. Nil (2006: Rs. 126,109)

20. INTEREST

On Fixed Loans	31,356,528	30,641,327
On Others	35,951,713	29,317,617
	67,308,241	59,958,944

NOTES ON ACCOUNTS

SCHEDULE – 21

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 (the Group). The Consolidated Financial Statements are prepared in accordance with Accounting Standard (AS 21) on Consolidated Financial Statements issued by the Institute of Chartered Accountants of India. 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 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 Machinery and Electrical Installations are stated at valuations made by a professional valuer in 1991-92 at the then current value.

Operating software are capitalised with the related fixed assets, while application software are charged off to revenue except for major application software which are 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.

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 of fixed assets.

c Impairment of Assets:

At each balance sheet date, the Company assesses whether there is any indication that an asset may be impaired. If any such indication exists, the Company 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.

d Interest on Borrowings:

The interest on working capital loan is charged against profits for the year in which it is incurred. Interest on borrowings for acquisition of qualifying assets is capitalized till the date of commencement of commercial use of such assets.

e Investments:

Investments are stated at cost, except in the case of a diminution in value other than temporary in nature, where cost is written down.

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

f Inventories:

Inventories are valued at lower of cost and 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.

g Revenue Recognition and Product Warranty:

Revenue from the sale of goods is recognised on despatch of goods. 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 contract (s) with the customer, are provided for based on estimates made by the Company [Note 7 below].

h Research and Development (R&D):

The expenditure incurred on acquisition of Fixed Assets in respect of R&D activities are capitalised. The Revenue expenditure incurred on R&D is charged off in the year in which such expenditure is incurred. Income from R&D activities is included under Income from Services.

i Foreign Currency Transactions:

Foreign Currency transactions are recorded in the books at the rate of exchange prevailing on the date of such transactions.

Foreign Currency liabilities pertaining to the fixed assets, acquired from a country outside India, are restated at the rates prevailing at the year end or at the forward contract rates, as may be applicable and resultant differences arising out of such restatement are adjusted to the cost of fixed assets.

The monetary items included under Current liabilities and Current assets are restated at the rates prevailing at the year end and the differences arising from such restatement are adjusted to Profit and Loss Account.

Exchange differences on forward contracts are recognized in the Profit and Loss Account in the reporting period in which the exchange rates changes. Any profit or loss arising on cancellation or renewal of such forward contracts is recognised as income or expense for the year. The premium or discount arising at the inception of such forward contract is amortised as expenses or income over the life of such contract.

In respect of overseas Subsidiary Company, 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. The differences arising out of translation are included in the foreign currency translation reserve.

j Provisions:

Provisions are recognised when the Company 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 Company expects a provision to be reimbursed, the reimbursement is

recognised as a separate asset but only when the reimbursement is virtually certain.

k Leases:

Assets acquired under leases where the Company 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 basis.

l Retirement Benefits:

Retirement benefits are paid to the approved funds maintained on behalf of the Company/ accrued in the books, as per statutes/ amounts advised by the funds, except for the liability for the encashment of unavailed leave and gratuity which are accrued in the books based on actuarial valuation.

m Accounting for Subsidies:

Subsidy receivable against an expense is deducted from such expense and subsidy against 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.

n Taxes on Income:

Tax on income for the current year is determined on the basis of the Income Tax Act, 1961.

Fringe benefit tax is determined at current applicable rates on expenses falling within the ambit of 'Fringe Benefit' as defined under the Income Tax Act, 1961.

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.

Overseas Subsidiary Company recognised their tax liabilities in accordance with the applicable local laws.

o Expenditure:

Expenses are net of service tax, where applicable as and when these are available for set-off against excise duty and service tax liabilities.

p Earnings Per Share:

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

q Miscellaneous Expenditure:

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

2 Principles of Consolidation

- a The financial statements of the Company and that of JKM Daerim® Automotive Limited and JKM Research Farm Limited have been prepared in accordance with the Generally Accepted Accounting Principles (GAAP) applicable in India and the financial statements of JKM Global Pte Limited have been prepared as per the Singapore Financial Reporting Standards, realigned to GAAP applicable in India for the purpose of consolidation. These financial statements have been prepared by consolidation of the financial statements of the Company and its Subsidiaries on a line-by-line basis after fully eliminating the inter-Company transactions.
- b The consolidated financial statements of the Group have been prepared in Indian Rupees ("Rs."), the legal currency of India and the Company's reporting currency.

3 Subsidiaries considered in the Consolidated Financial Statements

Sl.No.	Name of the Company	Country of Incorporation	Proportion of Ownership interest (%)	
			2007	2006
1	JKM Daerim® Automotive Limited	India	73	73
2	JKM Research Farm Limited	India	100	100
3	JKM Global Pte Limited	Singapore	100	100
			2007	2006
			Rs.	Rs.

4 Capital Commitments

Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided	130,554,016	66,128,035
--	--------------------	------------

5 Director's Remuneration *

Salary	4,449,902	2,535,149
Contributions to Provident and Other Funds	479,139	259,440
Perquisites (including those calculated as per Income Tax Rules, 1962)	943,153	434,908
	5,872,194	3,229,497

* excluding contribution to Group Gratuity Fund and Provision for Leave Encashment

6 Leasing Arrangements

- a Buildings, 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:

	2007	2006
Minimum Lease Payments		
- Included in Rent (Schedule 19)	6,327,615	5,506,830
There are no Contingent Rents.		

- 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.

Class of Assets:

Plant and Machinery

- Gross Value	22,199,039	20,923,478
- Accumulated Depreciation	16,516,912	15,692,707
- Depreciation for the year	879,340	868,642
Minimum Lease payments received		
- Included in Other Income (Schedule 16)	823,840	868,642

7 Provisions

Product Warranty (Note Below)

At beginning of the year	1,000,000	371,000
Additional provisions made during the year	1,954,843	1,701,344
Charged to income statement	2,954,843	2,072,344
Utilised during the year	1,299,926	1,072,344
At the end of the year	1,654,917	1,000,000

Note: Provision has been made based on management estimation.

8 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 under the Income Tax Act, 1961.

- Expenses allowable for tax purposes when paid	4,287,346	3,136,525
- Provision towards Warranty	222,606	67,320
- Provision towards doubtful debts and advances	2,845,769	1,662,444
- Other Provisions	3,132,280	31,018
	10,488,001	4,897,307

(B) (Less): Deferred Tax Liabilities arising from:

- (i) Difference between carrying amount of fixed assets in the financial statements and the Income Tax Return.

(120,624,038) (91,135,067)

- (ii) Difference between carrying amount of Miscellaneous Expenditure in the financial statements and the Income Tax Return.

(14,439) (23,828)

(120,638,477) (91,158,895)

Net Deferred Tax Liability (A-B)

(110,150,476) (86,261,588)

Net Deferred Tax (Charge)/Credit for the year

(23,888,888) 1,235,062

Notes: 1. The tax impact for the above purpose has been arrived by applying a tax rate of 33.99 % (2006: 33.66 %) being the prevailing tax rate for Indian companies under the Income Tax Act, 1961.

9 Related Party Disclosure

A Names of related parties and description of relationship

- (a) Companies over which key management personnel and relatives of such personnel are able to exercise significant influence
 Greenearth Biotechnologies Limited (GBL) Vita Private Limited (VPL)
 JKM Human Resources Private Limited (JHRPL) JKM Holding Private Limited (JHPL)
- (b) Company having substantial interest in one of the subsidiary company
 DaeRim Enterprises Co Limited, Korea (DRECL) (upto September 15,2006)
 Udayant Malhoutra & Co Pvt Ltd (From September 15,2006)
- (c) Key Management Personnel
- (i) Executive Directors Udayant Malhoutra, Chief Executive Officer and Managing Director
 N Rajagopal, Executive Director and Chief Operating Officer, Dynamatic® Hydraulics & Dynametal®
 V Sunder - President and Group Chief Financial Officer (from August 24, 2006)
 B Seshnath - Executive Director and Chief Operating Officer-JDAL (from August 24, 2006)
- (ii) Non Executive Directors J K Malhoutra, Chairman Air Chief Marshal S Krishnaswamy (Retd.)
 Dr. K Aprameyan Vijai Kapur
 V Sunder (upto August 24, 2006) B Seshnath-DTL (from August 24, 2006)
 N R Mohanty (upto January 27, 2007) Shanti Ekambaram (from October 30, 2006)
 Hyo Kyon Lee
- (iii) Others Pramilla Malhoutra

Description of Relationship	2007			2006			
	Related Party	Companies over which key management personnel and relatives of such personnel are able to exercise significant influence A(a)	Company having substantial interest in one of the Subsidiary Companies A(b)	Key Management Personnel A(c)	Companies over which key management personnel and relatives of such personnel are able to exercise significant influence A(a)	Company having substantial interest in one of the Subsidiary Companies A(b)	Key Management Personnel A(c)
i Other Income							
Interest							
- Greenearth Biotechnologies Limited	1,480,000	-	-		855,331	-	-
ii Expenses							
Rent							
- Vita Private Limited	300,000				300,000		
- J K M Holding Private Limited	84,000				84,000		
- N Rajagopal				240,000			240,000
- Pramilla Malhoutra				963,099			786,000
Salaries & Wages							
- J K M Human Resources Private Limited	8,856,801				2,803,990		
Interest							
- J K Malhoutra				94,112			94,112
Managerial Remuneration							
- Udayant Malhoutra				1,303,752			1,180,394
- N Rajagopal				1,314,019			1,070,464
- V Sunder				2,069,652			1,360,800
- B Seshnath				1,184,771			978,639
Directors sitting Fees							
- J K Malhoutra				100,000			70,000
- Air Chief Marshal S Krishnaswamy (Retd.)				250,000			125,000
- Udayant Malhoutra				35,000			15,000
- Dr. K Aprameyan				185,000			185,000
- Vijai Kapur				150,000			60,000
- V Sunder				50,000			125,000
- B Seshnath				75,000			-
- N R Mohanty				95,000			-
- Shanti Ekambaram				45,000			-
- S H Utamsingh				-			30,000
- Hyo Kyon Lee				5,000			10,000
iii Loans Extended during the year							
- Greenearth Biotechnologies Limited			-		2,999		
iv Loans Refunded during the year							
- Greenearth Biotechnologies Limited					800,000		
v Balances as on March 31,							
Outstanding Payables							
- J K M Human Resources Private Limited	611,797						
- J K Malhoutra				23,528			23,528
- DaeRim Enterprises Co Limited, Korea						2,160,000	
- Udayant Malhoutra & Co. Pvt. Limited			2,160,000				
Outstanding Receivables							
- Greenearth Biotechnologies Limited	1,144,632				83,729		
- J K M Human Resources Private Limited	-				469,029		
- Pramilla Malhoutra				800,000			800,000
- N Rajagopal				200,000			200,000
Outstanding Loans Receivables							
- Greenearth Biotechnologies Limited	18,500,000				18,500,000		

The above information has been determined to the extent such parties have been identified on the basis of information provided, which has been relied upon by the auditors

21. NOTES ON ACCOUNTS (Contd.)

Rs.

10. Segment Information

a) Information about Primary Business Segments

The business segment has been considered as the primary segment. The Group is organised into four main business segments, namely:

- Hydraulic and Precision Engineering - comprising of Hydraulic Pumps, Hand Pumps, Lift Assemblies, Valves, Power Packs etc
- Aluminium Castings - comprising of castings for automotive components
- Automotive Components - comprising of Case Front, Water Pumps, Intake Manifolds, Exhaust Manifolds, 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.

Particulars	Hydraulic and Precision Engineering		Aluminium Castings		Automotive Components		Research Farm		Unallocated		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
(i) Revenue	952,038,329	791,750,130	330,317,941	275,317,202	1,909,140,999	1,523,038,803	-	-	-	-	3,191,497,269	2,590,106,135
External - Sales and Services	(122,411,752)	(98,786,402)	(45,515,855)	(36,855,629)	(352,075,181)	(295,825,850)	-	-	-	-	(520,002,788)	(391,467,881)
Less: Excise duty	-	(181,800)	(268,604,918)	(216,409,920)	-	-	-	-	-	-	(268,604,918)	(216,591,720)
Inter-Segment Sales and Services	36,648,935	34,497,605	8,690,129	4,580,755	20,781,162	12,248,559	4,200,000	4,201,677	-	-	70,320,226	55,528,596
Other Income	(14,600,000)	(17,520,000)	-	-	(1,784,763)	(801,264)	(4,200,000)	(4,200,000)	-	-	(20,584,763)	(22,521,264)
Inter-Segment Income	851,675,512	709,759,533	24,887,297	26,632,408	1,576,062,216	1,278,660,248	-	1,677	-	-	2,452,625,026	2,015,053,866
Total Revenue	141,498,881	119,824,673	43,097,395	45,064,498	186,694,364	175,423,443	(1,455,015)	(954,354)	49,347,257	32,717,940	419,182,882	372,076,200
(ii) Result	-	-	-	-	-	-	-	-	948,316	5,394,152	948,316	5,394,152
Segment Result - Profit/(Loss)	-	-	-	-	-	-	-	-	(67,308,241)	(59,958,944)	(67,308,241)	(59,958,944)
Unallocated Expenditure	-	-	-	-	-	-	-	-	3,247,592	2,874,120	3,247,592	2,874,120
Interest Expense	-	-	-	-	-	-	-	-	-	18,000	-	18,000
Interest Income	-	-	-	-	-	-	-	-	46,487,871	30,115,212	46,487,871	30,115,212
Dividend Income	-	-	-	-	-	-	-	-	-	-	-	-
Other Income	(30,150,518)	(27,934,726)	(11,053,370)	(9,983,646)	(57,637,026)	(51,835,286)	(739,912)	(739,912)	-	-	(99,580,826)	(90,493,570)
Depreciation	111,348,363	91,889,947	32,044,025	35,080,852	109,739,164	121,473,924	(2,194,927)	(1,694,266)	(17,960,984)	(27,241,004)	232,975,641	219,509,453
Profit/(Loss) before Taxation	-	-	-	-	-	-	-	-	(83,665,647)	(82,481,588)	(83,665,647)	(82,481,588)
Provision for Taxation	111,348,363	91,889,947	32,044,025	35,080,852	109,739,164	121,473,924	(2,194,927)	(1,694,266)	(101,626,631)	(109,722,592)	149,309,994	137,027,865
Net Profit/(Loss)	-	-	-	-	-	-	-	-	-	-	-	-
(iii) Reconciliation of Segment Revenue with the Financial Statements	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue - Sales and Services	827,797,246	664,572,173	278,274,699	155,242,260	992,579,309	801,779,236	37,672,821	37,394,002	34,507,018	14,658,891	2,170,831,093	1,658,499,027
Other Income	642,718,219	467,226,461	201,231,275	146,983,838	687,243,257	539,583,923	2,683,857	2,689,794	190,132,087	159,734,931	1,724,008,696	1,315,218,947
As per Financial Statements	108,169,512	28,984,934	3,008,999	25,351,992	154,855,010	33,999,127	-	22,937	(1,113,145)	-	264,430,376	88,358,990
Other Information	30,150,518	27,934,726	11,053,370	9,983,646	57,637,026	51,835,286	739,912	739,912	-	-	99,580,826	90,493,570
Segment Assets	7,380,737	11,867,494	-	-	1,766,251	1,989,660	-	-	-	-	9,146,988	13,857,154
Segment Liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Capital Expenditure	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-
Other Non-Cash Expenses	-	-	-	-	-	-	-	-	-	-	-	-

b) Information about Secondary Business Segments

	India		Outside India		Total	
	2007	2006	2007	2006	2007	2006
Revenue by Geographical Markets	2,204,796,396	1,788,925,792	198,093,167	193,120,742	2,402,889,563	1,982,046,534
Carrying amount of Segment Assets	2,170,831,093	1,658,499,027	-	-	2,170,831,093	1,658,499,027
Capital Expenditure	264,430,376	88,358,990	-	-	264,430,376	88,358,990

- c) Notes: (i) The Group Companies are currently focused on into four main business segments, namely Hydraulics, Aluminium Castings, Automotive Components and Research Farm. Segments have been identified and reported taking into account the nature of products and the differing risks and returns.
- (ii) Segment revenue in each of the above domestic business segments primarily includes sales arising from manufacturing operations in the respective segments.
- (iii) The geographical segments considered for disclosure are: (a) Sales within India (b) Sales outside India
- (iv) Segment Revenue, Assets and Liabilities include the respective amounts identifiable to each of the segments and amounts allocated on a reasonable basis

	2007 Rs.	2006 Rs.
11 Extraordinary Items:		
(i) Capital Work-in-Progress written off [Note (a)]	2,677,395	2,114,233
(ii) Non Compete Fee and related expenses [Note (b)]	16,640,779	-
	<u>19,318,174</u>	<u>2,114,233</u>

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) JKM Daerim® Automotive Limited, has entered into 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 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.

12 The Company and JKM Daerim® Automotive Limited have 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 of Rs. 55,447,477 with an obligation to export amounting Rs. 383,529,396 within a period of eight years.

The details of export obligation are as under:

EPCG

Export Obligation at the beginning of the year	320,837,256	448,022,967
Add: Export Obligation accrued during the year	120,026,040	67,096,928
(Less): Exports made during the year	(57,333,900)	(128,032,639)
Export Obligation as at the end of the year	<u>383,529,396</u>	<u>387,087,256</u>

13 Earnings Per Share

a Before Extraordinary item:

Net Profit after tax and before Extraordinary item	146,468,773	120,935,005
Basic/Weighted Average number of Equity Shares of Rs. 10 each	4,193,560	4,193,560
Basic and Diluted Earnings Per Share (Rs.)	34.93	28.84

b After Extraordinary item:

Net Profit after tax and extraordinary item	131,897,424	118,820,772
Basic/Weighted Average number of Equity Shares of Rs. 10 each	4,193,560	4,193,560
Basic and Diluted Earnings Per Share (Rs.)	31.45	28.33

14 The Company and JKM Daerim® Automotive Limited are allowed to defer the payment of Sales tax for a period of nine years. The sales tax 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. Accordingly, the sales tax of Rs. 44,373,219 (2006:Rs 39,539,559) so deferred has been disclosed as unsecured Loan.

- 15** The Company has undertaken a new project (Aerospace-Sukhoi-30 and helicopter) and all related incidental expenditure incurred has been carried forward as Incidental Expenditure during Construction Period and will be allocated to individual fixed assets on completion of project.
- 16** The cars purchased out of the loan taken from banks and financial Institutions, have been given to certain employees for their use. As per the terms of arrangement the said car will be transferred to the said employees at a price of Rs. 1,80,000 per car after 5 years from the date of purchase. The aforesaid amount will be deducted in 60 monthly equal instalments from their salary. The amount so deducted of Rs.1,417,817 (2006: Rs.531,000) has been considered as deposits received from employees and included under current liabilities.
- 17** 70 equity shares of Rs.10 each of JKM Daerim[®] Automotive Limited and 70 equity shares of Rs.10 each of JKM Research Farm Limited held by the nominees of the Companies have not been considered in computing minority interest.
- 18 Subsequent Events:**
- i) Merger with JKM Daerim[®] Automotive Limited (JDAL) - one of the subsidiary:
The Directors of the Company at their board meeting held on June 8, 2007 has approved the scheme of merger of JKM Daerim[®] Automotive Limited with effect from April 1, 2007. As per the scheme of merger every shareholder of JDAL will be entitled for equity shares of Dynamatic Technologies Limited in the ratio of 3.5:1. The approvals from Bombay Stock Exchange and the National Stock Exchange have been received. The Company is in the process of filing application before the Karnataka High Court for direction to convene the general meeting of the members and creditors.
- ii) Acquisition of a division of Sauer Danfoss Limited, United Kingdom:
The Company through one of its wholly owned subsidiaries acquired the hydraulic business division (Swindon Unit) of Sauer Danfoss Limited, United Kingdom at a consideration of USD 10 million approximately (equivalent to Rs. 400,000,000) on June 15, 2007. The division provides world class manufacturing facility with an excellent laboratory and large amount of intellectual property.
- iii) The Company has given a Corporate Guarantee to State Bank of India, London in connection with the acquisition of the hydraulic division of Sauer Danfoss Limited, United Kingdom, as mentioned in (ii) above on behalf of JKM Global Pte Limited, (a fully owned subsidiary of the Company) and Dynamatic Limited, United Kingdom, (the wholly owned subsidiary of JKM Global Pte Limited, Singapore) Rs.132,000,000 (USD 3.30 million) and Rs. 224,000,000 (USD 5.60 million) respectively.
- 19** Diferrence between Unpaid Dividend Liability Account and Unpaid Dividend Bank Account of Rs. 764 represents bank charges deducted by bank from unpaid dividend bank account. The said bank charges have been provided in these accounts and subsequently paid.
- 20** Figures for the previous year have been regrouped / rearranged, wherever necessary.

This page has been intentionally left blank

DIRECTORS' REPORT TO SHAREHOLDERS

Your Directors have pleasure in presenting the Thirty Second Annual Report together with the audited statement of accounts for the year ended **31st March, 2007**.

FINANCIAL RESULTS

The Financial Results of the Company for the year ended 31st March, 2007, were as follows:

Particulars	(Rs. In Lacs)	
	Year ended 31.03.2007	Year ended 31.03.2006
Gross Profit (Before Interest, Depreciation & Taxation) (EBITDA)	2,257.11	1,994.14
Interest	385.15	336.29
Depreciation	412.04	379.19
Net Profit before Taxation	1,459.92	1,278.66
Provision for Current Year Taxation (including short provision of earlier years)	260.00	444.36
Provision for Deferred Tax / (Reduction in Deferred tax liability)	181.01	(58.35)
Provision for Fringe Benefit Tax	19.20	21.68
Provision for Wealth Tax	0.90	0.60
Net Profit after Tax	998.81	870.37
Amount available for appropriation	998.81	870.37
Appropriations		
Dividend on Equity Shares – Interim	83.87	83.87
Proposed Final Dividend on Equity Shares	125.81	125.81
Tax on Dividend	35.63	29.40
Balance carried to Balance Sheet	753.50	631.29

Notes:

Previous year figures have been recast wherever necessary.

DIVIDEND

An Interim Dividend of 20% has already been declared and paid on 4,193,560 Equity Shares absorbing Rs.8,387,120/-. Your Directors recommend a Final Dividend of 30% on 4,193,560 Equity Shares of Rs.10/- each, absorbing Rs.12,580,680/- for the year under report. Hence the total Dividend payout for the year under review is Rs.20,967,800/- (exclusive of tax).

TRANSFER TO RESERVES

Your Directors propose to transfer Rs.754 lacs to General Reserve, during the year under report.

PERFORMANCE OF YOUR COMPANY

Your Directors are pleased to inform you that your Company has posted Gross Turnover of **Rs.12,823 lacs** as against the previous year's turnover of

Rs.10,670 lacs, showing a growth of 20%. The Net Profit for the year under review is **Rs.1,460 lacs**, as against the previous year of Rs.1,279 lacs showing a growth of 14%, despite unprecedented cost increases due to high Aluminium and Steel prices, which were only partially compensated by customers. Vigorous cost-optimisation measures, and value engineering initiatives were successfully implemented, to offset the negative effect of this.

Exports have grown with sales of Rs.1,189 lacs, against Rs.1,152 lacs last year. This represents a growth of 3%.

RESEARCH & DEVELOPMENT

Your Company continues to design, develop and supply variants of the existing range of hydraulic gear pumps. In fact, it now possesses one of the largest portfolios of variants in the World.

Your Directors are pleased to inform that a host of high precision hydraulic and engineering products were successfully productionised during the year. Products developed and supplied to various customers include:

- Hydraulic Motors: The production of Hydraulic Motors started in real earnest during the year under review.
- A range of Pumps, Valves and Hydraulic Aggregates: were approved for supply to Renault Agriculture, France, and regular supplies are being made now.
- A broad range of Compressor Housing Castings developed for Honeywell Garrett, France, which constitutes a significant share of their Global requirements.
- Various products of tractor hydraulics that have been developed for John Deere, USA. This represents a major step in your Company's thrust to expand into the Global market.
- A new type of Gear Pump: which was developed for and is being supplied to Cummins, USA.
- Apart from being an Original Equipment supplier to JCB, UK, your Company has now started supplying to a host of Indian infrastructure equipment companies and to the Global market, in the face of stiff MNC competition.

Emphasis has been on new product design vis-a-vis performance analysis. 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.

With respect to product performance evaluation & up-gradation, exhaustive work is carried out towards experiments and data acquisition and analysis.

Value Engineering has been continuously followed and prioritized so as to counter the spiraling input costs. R & D has chalked out a detailed action plan and has implemented the same while maintaining constant vigil on product performance.

In order to bring more focus into the Product Development Cycle, Product Life Cycle Management, 'Windchill' software is being utilized across the Company.

Your Company inaugurated the modern JKM Science Center at Dynamatic Park, Bangalore, on 28th February, 2007.

The JKM Science Center which is spread over a built-up area of 40,000 Sq. ft includes two design laboratories, a material science laboratory, a prototype manufacturing unit & a training center. It will house 225 Engineers, Technicians and Scientists. This state-of-the-art facility, which brings together Design Engineering, Development, Prototyping, Metallurgical and Manufacturing Infrastructure under one roof, will enable your Company to comprehensively address the needs of its customers in Automotive, Aerospace and Precision Engineering Industries.

Your Company has evolved a stringent Information Security Management System to protect and safeguard key information and data from unauthorized access. The system has been designed to ensure confidentiality, integrity and availability of critical data within the organization.

QUALITY MANAGEMENT SYSTEM

Your Company successfully completed the fourth surveillance audit for ISO 9001 (QMS).

The certification audit for ISO 14001, Environment Management System (EMS), was successfully completed, during the year under report. This is a significant achievement and is in keeping with the vision of your Company of building an environment friendly economic activity.

The Aerospace Division is certified for AS 9100, Rev B. It is heartening to note that your Company is the only company in the country to hold this certificate for "the Manufacture of Structural Assemblies, Precision Machined Components and Sheet Metal pressed parts."

During the year, the QMS surveillance audit was carried out by LRQA. All the objectives and management programs have been accomplished as per the scheduled plans. Quality systems are driven in a systematic manner. The Company has an Effluent Treatment plant, which saves the cumbersome task of storing water effectively in the factories.

To cultivate and foster qualitative thinking in the day to day processes on the shop floor and operating units,

your Company declared and celebrated November 2006 as the Quality month.

The month was marked by various contests, case study presentations and lectures on the theme. The sustained focus on 5S concepts in material handling on the shop floor has resulted in enhanced product quality, innovation and cost effectiveness.

A booklet on Vendor Quality requirements was released during the year to help suppliers in enhancing the quality and systems of operations.

DEPOSITS

Deposits accepted under the provisions of Section 58A of The Companies Act, 1956, of Rs.330,000/- from the public remained unclaimed as on 31st March, 2007. The same has been informed to Deposit holders for claiming.

SUBSIDIARY COMPANIES

JKMDaerim® Automotive Limited, India, a Subsidiary of your Company, is involved in the production of high quality ferrous and non-ferrous automotive engine and transmission components. The Directors' Report, Audited Statement of Accounts, Auditors' Report thereon and the Statement pursuant to Section 212 of The Companies Act, 1956, for the year ended 31st March, 2007, of this Subsidiary are annexed. Further, as required under Accounting Standard AS-21 issued by The Institute of Chartered Accountants of India, in compliance with the Listing Agreement with the Stock Exchanges, consolidated statement of accounts together with the Auditors' report thereon are annexed.

During the year, the Board of Directors approved the merger of JKM Daerim® Automotive Limited (JDAL) with the Company by swapping the shares of JDAL with your Company in the ratio of 2 shares of your Company for every 7 shares of JDAL. Bombay Stock Exchange Limited and National Stock Exchange of India Limited have issued the 'No Objection Certificate' for the proposed scheme of merger. The Company is in the process of complying with other legal formalities to effect the proposed merger.

JKM Research Farm Limited, India, is a wholly owned subsidiary of your Company. The Directors' Report, Audited Statement of Accounts, Auditors' Report thereon and the Statement pursuant to Section 212 of The Companies Act, 1956, for the year ended 31st March, 2007, of this Subsidiary are annexed. Further, as required under Accounting Standard AS-21 issued by The Institute of Chartered Accountants of India, in compliance with the Listing Agreement with the Stock Exchanges, consolidated statement of accounts together with the Auditors' report thereon are annexed.

JKM Global Pte. Limited, Singapore, is a wholly owned Subsidiary of your Company. The Director's Report, Audited Statement of Accounts, Auditor's Report thereon and the Statement pursuant to Section 212 of The Companies Act, 1956, for the year ended 31st March, 2007, of this Subsidiary are annexed. Further, as required under the Accounting Standard AS-21 issued by The Institute of Chartered Accountants of India, in compliance with the Listing Agreement with the Stock Exchanges, consolidated statement of accounts together with the Auditors' report thereon are annexed.

Your Company has acquired the Hydraulic Business Division (Swindon Unit) of Sauer Danfoss Limited, UK, on 15th June, 2007. The buy-out has been effected through Dynamatic Limited, UK (a wholly owned subsidiary of JKM Global Pte. Limited, Singapore).

The potential advantages from the acquisition are :

- Better technologies to support overall business;
- Quick and easy access to European and US markets
- New OEM customers
- Potential to develop aftermarket business
- Overall inorganic business growth with a better synergic effect.

The acquisition also provides your Company with an excellent engineering laboratory and a large amount of intellectual property.

DIRECTORS

Under Section 256 of The Companies Act, 1956, Air Chief Marshal S. Krishnaswamy (Retd.) and Dr. K. Aprameyan retire by rotation and being eligible offer themselves for re-election.

Ms. Shanti Ekambaram, who has been appointed as an Additional Director of the Company at the Board Meeting held on 30th October, 2006 is being proposed to be appointed as a Director of the Company as set out in the Notice.

Mr. Raymond Keith Lawton, who has been appointed as an Additional Director of the Company at their Board Meeting held on 31st July, 2007 is being proposed to be appointed as a Director of the Company as set out in the Notice.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors' Responsibility Statement as required under Section 217(2AA) of The Companies (Amendment) Act, 2000, in respect of the financial statements is annexed to this report.

CONSOLIDATED FINANCIAL STATEMENTS

Your Directors have pleasure in attaching the Consolidated Financial Statements in accordance

with the Accounting Standard AS-21, issued by The Institute of Chartered Accountants of India, which form part of the Annual Report and Accounts.

AUDITORS

M/s. Price Waterhouse & Co., Chartered Accountants, Bangalore, retire at this Annual General Meeting and are eligible for re-appointment.

PARTICULARS OF EMPLOYMENT

During the year under review, relations between the employees and management remained cordial.

There are no employees drawing more than Rs.2,400,000/- or more per annum or Rs.200,000/- or more per month during the year under review as required under the provisions of Section 217 (2A) of The Companies Act, 1956.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The information relating to energy conservation, technology absorption, foreign exchange earnings and outgo required to be disclosed under The Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in **Annexure – I** forming part of this report.

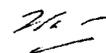
CORPORATE GOVERNANCE

A separate section on Corporate Governance and a Certificate from a Practicing Company Secretary regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges together with the Management Discussion and Analysis of the financial position of the Company, form part of this Report.

ACKNOWLEDGMENT

Your Directors would like to express their grateful appreciation for the co-operation received from the Financial Institutions, Banks, Government Authorities, Customers, Vendors, Shareholders and Investors during the year under review. Your Directors also wish to place on record their deep sense of appreciation for the committed services of Executives, Managers, Staff and Workers of the Company and look forward to their continued support in the future.

By order of the Board of Directors



PLACE : BANGALORE

J.K. MALHOUTRA

DATE : 7th AUGUST, 2007

Chairman

ANNEXURE TO DIRECTORS' REPORT

ANNEXURE – I

Statement under Section 217(1)(e) read with The Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, and forming part of the Directors' Report for the year ended 31st March, 2007.

Disclosure of particulars with respect to absorption, adoption and innovation

Research and Development (R & D)

1. Specific areas in which R & D is carried out by your Company

Major thrust areas for R&D activities are outlined below :

- a) Development of new design for robust hydraulic gear pumps for Earthmoving Sectors
- b) Development of Various types of Hydraulic Gear Motors
- c) Development of new Machine Tools, Machine Tools Structures including CNC machines upgrade
- d) Factory Automation
- e) New projects for Defence sector
- f) Mechatronics application in Tractor Hydraulics
- g) Development of total Tractor Hydraulic aggregates including Hitch Control Valve
- h) Value engineering for existing products and processes
- i) Analysis coupled with experimentation towards product design optimization, product performance enhancement and application understanding and problem solving
- j) Introduction of Product Life Cycle Management Tools

2. Benefits derived as a result of the above R & D

All these efforts have led to innovative product and process developments leading to new market creation and higher value addition.

Few of the key mile-stones achieved are mentioned below :

- a) New product development with new customer base, both at domestic and export market
- b) Capitalising on new business opportunities viz. Machine Tool development program
- c) Participating in India's Defence indigenisation and technological upgradation programs
- d) New process improvements through value engineering towards cost reduction and import substitution

3. Future plan of action

The Company plans to increase its efforts in developing new and cost-effective applications

in the above sectors, through continuous innovation.

4. Expenditure on R & D

	Rs.
(a) Capital	70,060,029
(b) Recurring	8,768,407
(c) Total	78,828,436

5. Total expenditure as a percentage of turnover (Net): **7.07%**

6. Technology absorption, adoption and innovation Efforts, in brief, made towards technology absorption, adoption and innovation.

The Dynamatic® Knowledge Center has enabled your Company to gain expertise in developing high precision engineering products. Consequently, your Company has been recognized by the Department of Scientific and Industrial Research (DSIR), Government of India, as a '**Recognized In-house R & D Unit**'. This is a prestigious honor conferred on the Company.

JKM Research Farm, the first of its kind in the Indian private sector, facilitates testing and validation of the products developed by the Company's customers. This is a unique facility, which aids in relationship-building with the Company's customers.

The above facilities have enabled the Company to develop the following:

- a) Heavy Duty New Generation Cast Iron Gear Pumps with very high pressure operational capability built with patented interlocking concepts.
- b) Electro – Hydraulic Aggregates for Defence application.
- c) New optimized Die – Casting Machine Tools for Foundry application.
- d) Total Tractor Hydraulic Aggregates for MNC's including Gear Pump, Control Valve and Rock Shaft Assembly.
- e) New types of Gear Pumps and Motors built with special configuration for various applications, for both domestic and export markets.
- f) Development of Lubricating Oil Pump suitable for Heavy Duty Engine for export market.
- g) ANSYS and CFD analysis towards product design optimization and product performance & application analysis.
- h) Rapid proto-typing.

7. In case of imported technology (imported during last 5 years – reckoned from the beginning of

the financial year), following information may be furnished:

- a) Technology imported: NIL
 b) Year of import: NA
 c) Has technology been fully absorbed? NA
 d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action.

Not applicable

Foreign Exchange Earnings and Outgo: During the year under report, the foreign exchange outgo has been to the extent of **Rs.122,905,529/-** (which includes import of raw materials, components, stores and spares to the extent of Rs.73,984,877/-, Foreign Travel expense of Rs.5,127,921/-, Subscription fees of Rs.193,823/-, Technical fee of Rs.3,054,541/- and Capital Expenditure to the extent of Rs.40,544,367/-) and the foreign exchange earned is **Rs.108,408,526/-**.

ANNEXURE – II

ANNEXURE TO DIRECTORS' REPORT FOR THE YEAR ENDED 31st MARCH, 2007.

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATED TO SUBSIDIARY COMPANIES.

Particulars	JKM Daerim® Automotive Limited	JKM Research Farm Limited	JKM Global Pte. Limited
1 Financial Year ended on	31.03.2007	31.03.2007	31.03.2007
2 Shares of the Subsidiary held by the Company on the above date :			
a. Number and face value	5,839,930 fully paid Equity shares of Rs.10/- each	1,999,930 fully paid Equity shares of Rs.10/- each	5,000 fully paid Equity shares of Singapore \$1/- each
b. Extent of holding	73% Rs. in lacs	100% Rs. in lacs	100% Rs. In lacs
3 The net aggregate of Profit / (Loss) of the Subsidiaries so far as they concern the members of the Company.			
a. Dealt with in the account of the Company for the year ended 31 st March, 2007	470.78	8.30	(3.89)
b. Not dealt with in the account of the Company for the year ended 31 st March, 2007.	-	-	-

4 The net aggregate of Profit / (Loss) of the Subsidiaries for previous years, since it became subsidiary so far as they concern members of the Company

a. Dealt with in the account of the company for the year ended 31 st March, 2006.	492.26	13.24	(2.93)
b. Not dealt with in the account of the Company for the year ended 31 st March, 2006.	-	-	-

Annexure - III

The Directors, responsibility statement as required under Section 217(2AA) of The Companies (Amendment) Act, 2000.

The Board of Directors hereby confirm:

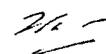
That in the preparation of accounts for the financial year ended 31st March, 2007, the applicable Accounting Standards have been followed with proper explanation relating to material departures.

That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss account of the Company for the year under review.

That the Directors have taken proper and sufficient care for the maintenance of adequate records in accordance with the provisions of The Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

That the Directors have prepared the accounts for the financial year ended 31st March, 2007 on a 'going concern' basis.

By order of the Board of Directors



PLACE : BANGALORE
 DATE : 7th AUGUST, 2007

J.K. MALHOUTRA
 Chairman

CERTIFICATION BY CEO & MANAGING DIRECTOR AND PRESIDENT & GROUP CFO OF THE COMPANY

We, Udayant Malhoutra, CEO & Managing Director and V. Sunder, President & Group CFO, of Dynamatic Technologies Limited, to the best of our knowledge and belief, certify that:

- a. We have reviewed the balance sheet and profit and loss account of the Company, and all its schedules and notes on accounts, as well as the cash flow statements and the Director's Report;

Based on our knowledge and information, these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

To the best of our knowledge and belief, the financial statements and other information included in this report, present a true and fair view of the Company's affairs and are in compliance with existing accounting standards as issued by The Institute of Chartered Accountants of India, and /or applicable laws and regulations;

- b. To the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct.
- c. We are responsible for establishing and maintaining internal controls for the financial reporting of the Company regularly evaluating the effectiveness of internal control systems of the Company pertaining to financial reporting and disclosure to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any.
- d. The Company's respective functional heads and we have disclosed all relevant information wherever applicable, to the Company's Auditors, and the Board of Directors of the Company:

- We have eliminated all significant deficiencies in the design or operation of internal controls, which could adversely effect the Company's ability to record, process, summarize and report financial data and have evaluated the effectiveness of internal control systems of the Company in consultation with the statutory and internal auditors of the Company.
- We have indicated to the auditors and audit committee changes in internal control over financial reporting during the year, changes in accounting policies during the year and the same have been disclosed in notes to financial statements;

We further confirm that the Company has framed a specific Code of Conduct for the members of the Board of Directors and senior management personnel of the Company pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges.

All the members of the Board and Senior management personnel of the Company have affirmed due observance of the said Code in so far as it is applicable to them and there is no non-compliance thereof during the year ended 31st March, 2007.



UDAYANT MALHOUTRA
Chief Executive Officer
& Managing Director



V. SUNDER
President
& Group CFO

PLACE : BANGALORE
DATE : 7th AUGUST, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

SAFE HARBOR STATEMENT

Investors are cautioned that this discussion contains statements that involve risks and uncertainties. When used in this discussion, 'anticipate', 'believe', 'estimate', 'intend', 'will' and 'expect' and other similar expressions as they relate to the Company or its business are intended to identify such forward looking statements. The Company undertakes no obligations to publicly update or revise any forward looking statements, whether as a result of new information, future events, or otherwise. Actual results, performances or achievements could differ materially from those expressed or implied in such statements. Therefore as a matter of caution, undue reliance on forward looking statements should not be made. The following discussion and analysis should be read in conjunction with the Company's financial statements included herein and notes thereto.

A. INDUSTRY STRUCTURE AND DEVELOPMENTS

With the Government's GDP target of 9-10% going forward, infrastructure growth is inevitable. The construction sector exhibited double-digit growth for the last three years reflecting the focus on infrastructure development. The growing demand for construction equipments, is likely to result in growth in demand for hydraulic equipments and systems

The Indian passenger car industry has grown at a rate of 20% in 2006, and is poised to maintain the growth momentum. New capacities, expansion of existing capacities, Government initiatives to strengthen the automotive industry, a slew of foreign companies in the pipeline setting up their base in India, are some of the things that are favorable to the Automotive Industry. Your Company's subsidiary, JKM Daerim[®] Automotive Limited has strong relationships with Hyundai, TATA, Ford, Mahindra, Honeywell Garrett, Cummins and John Deere, and is enjoying entire benefit of the favourable environment.

The Indian defence offset clause mandating 30% offset provisions for all defence purchases from overseas vendors valued more than Rs.3 bn, has set the stage for International Aerospace and defence companies scouting for established Indian component manufacturers. Your Company is a major beneficiary of this offset clause, and is supported by its AS 9100 quality certification for producing aero-structures, the first company to be so certified in India. Your Company has signed teaming agreement with Northrop Grumman Corporation, USA, a production agreement with Cobham PLC, UK, and a letter of Intent with Spirit Aero Systems, Europe.

All these companies are respected leaders in their field of endeavour.

Your Company is Asia's largest producer of Hydraulic Gear Pumps and one of the Top Five worldwide. Dynamatic[®] also manufactures a wide range of sophisticated Hydraulic Valves and custom tailored solutions extending from simple Pumping Units to sophisticated Marine Power Packs, complex Aircraft Ground Support Systems to turnkey industrial installations.

All these products are produced at a state-of-the-art manufacturing facility located at Bangalore, and assembly is done in a clean-room environment to avoid contamination. Dynametal[®] produces high quality Non-Ferrous Alloy and Castings for Industrial, Automotive and Aerospace applications. Your Company's foundry is located at Chennai, and incorporates use of the latest metallurgical technologies.

Powermetric[®] Design is a world class Design Centre capable of total product and system design, with advanced capabilities in structural, thermal and dynamic engineering for design validation, analysis and optimization.

Dynamatic Aerospace[®] produces exacting Airframe Structures and Precision Aerospace components. Products include the vertical fins, horizontal stabilizers, ventral fins, canards, slats and air brakes for the Sukhoi 30MKI fighter bomber; Ailerons and Wing Flaps for the HJT-36 Intermediate Jet Trainer and Wing and Rear Fuselage of the LAKSHYA, India's Pilotless Target Aircraft. This is the first time such capabilities have been developed in the Indian Private Sector.

The Company produces the Hydraulic Transmission System for India's T-72 Battle Tanks including Hydraulic Pumps, Hydraulic Transmission couplings and Distribution Mechanisms. Additionally, the Company has designed the Steering Control System, Turret Control System and Braking System for ARJUN Main Battle Tank.

Over 85% of all agricultural tractors and construction equipment produced in India are powered by pumps produced by Dynamatic[®] Hydraulics. 45% of all passenger cars made in India are built using critical engine & transmission products manufactured by JKM Daerim[®]. The Nation's borders are secured by products and technologies developed by your Company.

B. OPPORTUNITIES AND THREATS

Your Company is now supplying hydraulic gear pumps to all 14 tractor manufacturers in India. Your Company has leveraged the deep relationships and

large market share built-up over the years with existing customers, to offer additional products which incorporate state-of-the-art features at attractive price levels. Hitch Control Valves for five tractor manufacturers have been designed, developed, extensively tested and are being commercially supplied to all of them. The export of these valves and Hydraulic Blocks to one of these manufacturers, who is based Overseas, has also commenced.

Your Company is continuing to develop a large number of variants for the pumps used in the Industrial sector, with an aim of increasing penetration in this lucrative and growing market.

Your Company also supplies pumps to the construction and road-building equipment industries, which is a major growth area. The supplies of Cast Iron Pumps have already begun tapping earth moving equipment market.

Your Company expects to continue top-line growth considering the sharp growth momentum within the Hydraulics and Auto Components business.

Your Company has acquired the Hydraulic Business division (Swindon unit) of Sauer Danfoss Limited, UK on 15th June, 2007. The buy-out has been effected through Dynamatic Limited, UK (a wholly owned subsidiary of JKM Global Pte. Limited, Singapore). The acquisition provides your Company with a global sales footprint, a well as a world-class manufacturing facility at the customers' doorstep. It also provides the Company with an excellent engineering laboratory with a large amount of Intellectual property.

The Aerospace Division has rapidly positioned itself as India's premier private sector manufacturer of airframe structures. The division is also actively pursuing business with HAL, for manufacture of various airframe structures for the Advanced Light Helicopter program. Leveraging its position in the manufacture and assembly of airframe structures, this division has produced samples for Global Tier I suppliers, and is well placed to benefit from the nascent outsourcing boom in this sector.

Your Company's subsidiary JKM Daerim® Automotive Limited has gone from strength to strength. Apart from firmly establishing itself as one of India's leading Auto-component manufacturing units, catering to almost all the Country's major automobile companies, it is now successfully executing Global scale orders for Turbocharger (four types) Compressor Housings to Honeywell, the World's largest manufacturer of Turbochargers. Besides, its products are exported to Ford Motor Company, Renault Nissan, Tenneco, John Deere, Cummins etc. The Company has successfully completed the TS 16949 Audit and obtained certification.

To overcome the relentless pricing pressures from OEMs, the Company has diversified its customer base, to pursue business from the non-Automotive segment, which is characterized by low volumes and high margins. In line with this strategy, the Company has started commercial supplies of Water Pumps to Cummins.

Competition from low cost manufacturers and margin pressures due to hike in raw material costs have been countered by pursuing value engineering and by entering price indexed contracts for raw material procurements.

C. SEGMENT-WISE OR PRODUCT-WISE PERFORMANCE

The sales revenues from each of the major business segments that the Company is involved in, are as follows:

Segment	Amount (Rs. In lacs)	Percentage (%)
Hydraulics & Precision Engg.	9,520.38	29.83
Aluminium Castings	3,303.18	10.35
Automotive Components	19,091.41	59.82
Total	31,914.97	100.00

D. OUTLOOK

Your Company's reputation for developing innovative, precise, cost-effective and high quality products continues to grow, both in India and in Overseas markets. In the medium-term, the Company is expected to maintain a compounded annual growth rate of 30%.

A continuous effort for developing innovative and cost-effective products is possible through constant Research and Development activities.

Your Company enjoys a high level of technical competence and has developed strong relationship with its customers by rendering quality products and continuous R&D initiatives.

E. RISKS AND CONCERNS

Continued Cost-push inflation, is a cause of concern. However, your Company is offsetting this through not only seeking appropriate sales price increases from its customers, but also adopting innovative cost-optimisation measures and Value Engineering solutions.

The possible risks of Product Liability, Warranty, etc, consequent upon entry into Global markets are

being mitigated through commensurate insurance policies and other de-risking strategies.

F. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has well-structured internal control systems for running the operations of the Company. Integration of Departments across the Company through an ERP system is in its final stages. The Business units are headed by highly experienced Chief Operating Officers who in turn are supported by excellent staff.

Your Company has deployed a comprehensive Internal Audit System, which is commensurate with the scale of operations. Competent and qualified professionals, who are external to the Company's business, conduct regular and detailed Internal audits, both at manufacturing locations and branch offices.

The Board level Audit Committee of the Company meets every quarter to review internal audit feedback reports of the Company and to improve the control systems from time to time.

G. DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

Your Company's Net Profit has grown by 14%, against the Sales Turnover growth of 20%. This has come about due to the relentless drive to eliminate operational inefficiencies, introduction of more value-added products and innovative Value Engineering initiatives.

Your Company's investments in its automotive subsidiary and foundry unit at Chennai have continued to pay off handsomely, as is evidenced by the rapid growth in turnover of both units and their ever-increasing contribution to overall profitability.

The improved overall performance has been leveraged by your Company to negotiate substantial reductions in financial costs. It has also enabled it to make fresh and necessary Capital investments in Capacity, Research & Development and Product Development.

H. MATERIAL DEVELOPMENTS IN HUMAN RESOURCES/INDUSTRIAL RELATIONS

During the year under review, Corporate India has witnessed unprecedented challenges in recruiting talent. Your Company's unique ecosystem has made it an attractive employer of choice for some of the best and brightest coming out of university.

The quality of Human resources available within your Company and the manner, in which it is deployed, is the single largest contributor to your Company's success. Continuous efforts are made to ensure that all employees are well trained, motivated and happy. These efforts have ensured a peaceful industrial environment which is supportive of your Company's long term growth strategies.

The strategies adopted by your company in developing and retaining talent are:

- Rigorous training in technical, behavioral and relationship based programs
- Creation of a warm, friendly, congenial, safe and secular work environment.
- Engaging all employees through participative management to instill a sense of ownership of all business processes of the Company.
- Laying down clear career paths to deserving and high performing individuals.
- Exposing employees to your Company's Global business streams.

Your Company continues to look into enhancing the quality of life of all its employees and to further this objective has during the current year geared itself to implement organizational health and safety training initiatives along with a 5S training program started last year.

Your Company continues to impart on the job training opportunities to all its employees. Apart from this, your Company has brought in specialists to train its employees in areas such as special processes, project management, soft-skill development programs (such as personal productivity enhancement, effective teaming, business etiquette etc.) especially to new candidates.

Some of the other important training programs are:

- TPM implementation
- Productivity enhancement techniques
- Continual improvement
- Awareness on ISO 18000, the international standard on Organization Health and Safety
- 7 QC Tools, GD & T Design experiments
- APQP/PPAP/MSA
- 3C & 5S practices
- Project management

The number of people employed during the year under review is 834, as on 31st March, 2007.

REPORT ON CORPORATE GOVERNANCE

COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Dynamatic® long-standing commitment to the high standards of corporate governance and ethical business practices is a fundamental shared value of its Board of Directors, Management and Employees. The Company's philosophy of corporate governance stems from its belief that timely disclosures, transparent accounting policies, and a strong, independent Board go a long way in preserving shareholders' trust while maximizing long-term shareholder value. Simultaneously, it enables the Company to fulfill its obligations to other stakeholders such as customers, suppliers, financiers, employees, Government and to society at large. Your Company firmly believes that such practices are founded upon core values of transparency, professionalism, empowerment, equity and accountability. Your Company makes best endeavors to uphold and nurture these core values in all facets of its operations and aims to increase and sustain its corporate value through growth and innovation. Good corporate governance flows from the commitment of the Management and the Board of Directors and when the commitment is backed by the fundamental beliefs of maximizing national

wealth; transparent actions in business; values of a corporate; and mutual trust amongst all constituents of the business, the organization transforms itself into a higher plane of leadership.

The forward-looking approach of Dynamatic® has always helped it in achieving the desired results. This approach has transformed the Company's culture to one that is relentlessly focused on the speedy translation of technological discoveries into innovative products. Your Company's commitment towards Corporate Governance started well before the law mandated such practices.

In this Annual Report, the Company has outlined the procedures and practices of Corporate Governance that are followed at Dynamatic®.

I. BOARD OF DIRECTORS

The Board of Dynamatic® comprises of nine Directors, three of whom are Executive Directors and six Non-Executive Directors including the Chairman of the Company, with the majority of them being Independent Directors.

The Independent Directors have confirmed in writing that they satisfy the conditions of independence as provided in the listing agreement.

a. Composition of the Board, their shareholding and membership in Committees of Public Companies during the year 2006-2007 (including Dynamatic®)

Name of Director	Category of Directorship	No. of Directorships held in Public Companies in India	No. of other Committees where he /she is a member	No. of other Committees where he /she is a chairman	No. of shares held in the Company
Non-Executive					
Mr. J. K. Malhoutra	P & NI	3	1	Nil	100
Mr. Vijai Kapur	I	1	2	1	Nil
Dr. K. Aprameyan	I	2	5	2	Nil
Air Chief Marshal S. Krishnaswamy (Retd)	I	1	4	1	Nil
Mr. N. R. Mohanty*	I	6	5	1	Nil
Ms. Shanti Ekambaram **	I	5	2	Nil	Nil
Mr. B. Seshnath	NI	2	3	Nil	Nil
Executive					
Mr. N. Rajagopal	NI	1	1	Nil	278
Mr. V. Sunder	NI	3	2	Nil	Nil
Mr. Udayant Malhoutra	P & NI	5	2	2	1,050,854

Notes:

P- Promoter; NI- Non Independent; I- Independent.

* Ceased as a Director with effect from 27th January, 2007.

** Ms. Shanti Ekambaram was co-opted as an Additional Director with effect from 30th October, 2006.

All the directors have furnished information on an annual basis of the Committee positions they occupy in other companies and notify the Company as and when any changes take place.

None of the Directors are relatives under Section 2(41) and Section 6 read with Schedule IA of The Companies Act, 1956, except Mr. J. K. Malhoutra and Mr. Udayant Malhoutra.

b. Details of Directorship and Membership of Committees

Name of Director	Directorships held in Public Companies in India	Committees where he/she is a Chairman /Member (Dynamatic® and other Companies)
Non-Executive		
Mr. J. K. Malhoutra	Dynamatic Technologies Limited (DTL) JKM Daerim® Automotive Limited (JDAL) Murablack (I) Limited	DTL: Member - Audit Committee
Mr. Vijai Kapur	Dynamatic Technologies Limited	DTL: Chairman - Audit Committee Member - HRD & Remuneration Committee
Dr. K. Aprameyan	Dynamatic Technologies Limited JKM Daerim® Automotive Limited	DTL: Chairman - Technical Development Committee Chairman - HRD & Remuneration Committee Member - Audit Committee. JDAL: Member - Audit Committee - Remuneration Committee
Air Chief Marshal S. Krishnaswamy (Retd)	Dynamatic Technologies Limited	DTL: Chairman - Shareholders' Committee; Member - Technical Development Committee; - Audit Committee; - HRD & Remuneration Committee
Mr. N. R. Mohanty	Dynamatic Technologies Limited Kudremukh Iron-Ore Company Ltd (KIOC) Indian Metals and Ferro Alloys Ltd (IMFAL) Sankhya Info Tech Ltd (SITL) Bharat Earth Movers Ltd (BEML) Textron India	DTL: Chairman - HRD & Remuneration Committee Member - Technical Development Committee - Audit Committee - Shareholders' Committee KIOC : Member - Audit Committee
Ms. Shanti Ekambaram	Dynamatic Technologies Limited Kotak Mahindra Investments Ltd (KMIL) Kotak Mahindra Capital Co. Ltd (KMCL) Kotak Mahindra Securities Ltd (KMSL) Kotak Mahindra Prime Ltd (KMPL)	DTL: Member - Audit Committee KMIL: Member - Audit Committee
Mr. B. Seshnath	Dynamatic Technologies Limited JKM Daerim® Automotive Limited	DTL: Member - Audit Committee JDAL: - Audit Committee - Remuneration Committee - Share Transfer Committee
Executive		
Mr. N. Rajagopal	Dynamatic Technologies Limited	DTL: Member - Technical Development Committee
Mr. V. Sunder	Dynamatic Technologies Limited JKM Daerim® Automotive Limited (Till 23 rd August, 2006) JKM Research Farm Limited (JRFL)	DTL: Member - Audit Committee - Shareholders' Committee JDAL: Member - Audit Committee - Remuneration Committee (till 23 rd August, 2006)
Mr. Udayant Malhoutra	Dynamatic Technologies Limited JKM Daerim® Automotive Limited JKM Research Farm Limited Centrust Financial Limited (CFL) Greenearth Biotechnologies Limited (GBL)	DTL: Member - Shareholders' Committee - Technical Development Committee JDAL: Chairman - Audit Committee - Remuneration Committee

None of the Directors are nominees of any bank/ financial institution.

c. Details of Sitting fees/Remuneration paid to the Directors for the year 2006-2007

Amount in Rupees

Name of Director	Sitting Fees paid for attending Board/ Committee Meetings (p.a) (A)	Remuneration (p.a) (B)		Total Compensation (p.a) (A + B)
		Salary	Perquisites/ Allowances	
Mr. J.K. Malhoutra	100,000	-	-	100,000
Mr. Vijai Kapur	150,000	-	-	150,000
Dr. K. Aprameyan	185,000	-	-	185,000
Air Chief Marshal S. Krishnaswamy (Retd.)	250,000	-	-	250,000
Mr. N.R. Mohanty	95,000	-	-	95,000
Ms. Shanti Ekambaram*	45,000	-	-	45,000
Mr. B. Seshnath**	75,000	1,161,915	196,446	1,433,361
Mr. N. Rajagopal	-	1,210,396	164,544	1,374,940
Mr. V. Sunder***	50,000	1,864,756	233,711	2,148,467
Mr. Udayant Malhoutra	35,000	1,932,489	155,365	2,122,854

Notes:

* Ms. Shanti Ekambaram was co-opted as a Director with effect from 30th October, 2006.

** Mr. B. Seshnath was co-opted as Non-Executive Director with effect from 16th September, 2006. Prior to this date, he was occupying the position of Director Commercial of the Company since 2002.

*** Mr. V. Sunder was co-opted as Executive Director with effect from 24th August, 2006. Prior to this date, he has been a Non-Executive Director of the Company since 2002.

The above sitting fees/ remuneration include the amounts paid in all the Dynamic[®] group companies.

None of the Non-Executive Directors have any material financial interest in the Company apart from the remuneration by way of sitting fees received by them.

d. Meetings of the Board, its Committee/s and procedures

During the year, Board meetings were held on 28th April 2006, 22nd July 2006, 16th September 2006, 30th October 2006 and 30th January 2007.

Name of Director	Board Meeting/s attended during the year	Whether attended last AGM
Mr. J. K. Malhoutra	4/5	No
Mr. Vijai Kapur	5/5	Yes
Dr. K. Aprameyan	3/5	No
Air Chief Marshal S. Krishnaswamy (Retd.)	5/5	Yes
Mr. N.R. Mohanty	3/5	Yes
Mr. B. Seshnath	5/5	Yes
Ms. Shanti Ekambaram*	2/5	NA
Mr. N. Rajagopal	4/5	Yes
Mr. V. Sunder	5/5	Yes
Mr. Udayant Malhoutra	4/5	Yes

Notes:

* Ms. Shanti Ekambaram was co-opted as a Director with effect from 30th October, 2006

i. Decision making process

As a process of good corporate governance for corporate affairs and all matters requiring discussion/decisions by the Board/Committee, the Company has a policy for Board and Committee meetings. This policy ensures that the decision making process at Board/Committee meetings is done in an informed, systematic and in the most efficient manner.

ii. Scheduling and selection of Agenda items for Board / Committee meetings

- Your Company holds a minimum of four Board meetings each year, which are pre-scheduled at the end of each quarter. Notice of the meeting is sent to the directors with an advance notice of at least 15 days. Apart from the four pre-scheduled Board meetings, additional Board meetings may be convened at any time in case of exigencies. Where circumstances so require, the Board may approve such resolutions by circulation as permitted by law.

- All divisions/departments of the Company are expected to plan their requirements well in advance, particularly with regard to matters

requiring discussion/approval/decision at Board/Committee meetings. All such matters are communicated to the Company Secretary well in advance so that appropriate background notes are circulated to the Board members for meaningful discussion.

- The Board has unencumbered access to any relevant information of the Company.

The Company has ensured that all key events concerning the governance of the Company's affairs are brought before the Board well in advance. In addition, the Board is provided with Minimum Information as specified in Annexure 1A of Clause 49 of the Listing Agreement with the Stock Exchanges.

The Board's annual agenda includes recommending dividend keeping in view the Company's profitability and the requirement of funds for the future growth of the Company; determining Directors who shall retire by rotation and recommending appointment of Directors/Auditors, authentication of annual accounts and approving Director's Report, long term strategic plans of the Company and principal issues that the Company expects to face in the future. The Board also notes and reviews the functioning of its Committees regularly.

The Chief Executive Officer & Managing Director of the Company and the Company Secretary in consultation with other Executive Directors finalize the agenda papers for the Board/Committee meetings.

- The Executive Directors of the Company attend the respective committee meetings as invitees.
- The Company Secretary acts as Secretary to all the Committees constituted by the Board.

iii. Board/Committee Information

- The Agenda for the Board and Committee meetings is circulated to the Directors, in a pre-determined format. All material information is incorporated in the agenda for facilitating meaningful and focused discussion at the meeting. Where it is not practicable to attach any document to the agenda, it is placed on the table and cross referenced in the agenda.
- In exceptional circumstances, any additional or supplementary item(s), other than those listed on the agenda are permitted for discussion with the permission of the Chairman of the Board/Committee.

iv. Recording minutes of the proceedings of Board/Committee meetings

The Company Secretary records the minutes of the proceedings of each Board and Committee meeting.

Draft minutes are circulated to the Chairman and other members of the Board/Committee for their comments. Thereafter, it is finalized in consultation with the Chairman. The minutes of the proceedings of the meeting are entered in the minutes book within 30 days of the conclusion of the meeting.

v. Post meeting follow up mechanism

The Company has an effective follow up mechanism to ensure that decisions taken by the Board/Committee are implemented in a time bound manner both in letter and in spirit. Action Taken Reports are placed at every Board/Committee meeting which explains the action taken on every past decision of the Board/Committee. This mechanism ensures that board decisions are subject to effective post meeting follow-up and monitoring.

vi. Compliance with laws

The Company Secretary is the Compliance Officer of the Company and acts as an effective link between the Board and the Senior Management. The functional heads certify to the Board about the compliance to the respective legislations with which they are connected and these affirmations are noted and taken on record by the Board.

vii. Code of Business Conduct & Ethics

As a positive step towards good Corporate Governance, the Company has framed and adopted a detailed Code of Business Conduct & Ethics for its Directors, members of the senior management team and employees of its subsidiaries. The Code outlines the Company's values, principles and guidelines on a variety of subjects. The Board of Directors, members of the senior management and employees of the subsidiaries are expected to ensure adherence to the set of moral values and policies enjoined in the Code. The Board members and senior management personnel provide an annual declaration affirming compliance with the Code.

The details of the Code of Conduct are posted on the web site of the Company (www.dynamatics.com). In terms of Clause 49 of the Listing Agreement, the declaration signed by Mr. Udayant Malhoutra, Chief Executive Officer & Managing Director and Mr. V. Sunder, President & Gr. CFO of the Company is given in **Annexure I** to this report.

e. Human Resource Development & Remuneration Committee

The Company had constituted a Remuneration Committee at the Board Meeting held on 7th July,

2002. Considering the growing global challenges and the need for absorbing, retaining and training high quality Man Power, the Remuneration Committee has been re-named as "The Human Resource Development (HRD) & Remuneration Committee " with effect from 22nd July, 2006.

Your Company's HRD & Remuneration Committee is vested with the responsibility of reviewing market practices and industry trends, keeping in mind the financial position of the Company, qualification of appointees, work experience, past performance record and other parameters.

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

i. The Committee comprises of the following members:

Dr. K. Aprameyan *	Chairman
Mr. Vijai Kapur	Member
Air Chief Marshal S. Krishnaswamy (Retd.)	Member
Mr. N. R. Mohanty * *	Member

Notes:

* Dr. K Aprameyan, Alternate Chairman of the Committee took over as Chairman of the Committee with effect from 27th January, 2007.

** Mr. N R Mohanty ceased to be a member with effect from 27th January, 2007.

ii. Committee meetings held during the Year 2006-2007

Name of Director	No. of Meetings held	Meetings attended
Dr. K. Aprameyan	3	2
Mr. Vijai Kapur	3	3
Air Chief Marshal S. Krishnaswamy [Retd]	3	3
Mr. N.R. Mohanty *	3	1
Mr. Udayant Malhoutra **	3	1

Notes:

* Mr. N R Mohanty, ceased as a Director with effect from 27th January, 2007.

** Mr. Udayant Malhoutra ceased as a member with effect from 22nd July, 2006.

HRD & Remuneration Committee meetings were held on 22nd July, 2006, 31st October 2006 and 30th January, 2007.

f. Technical Development Committee

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

i. The Committee comprises of the following members:

Dr. K. Aprameyan	Chairman
Air Chief Marshal S. Krishnaswamy (Retd.)	Alternate Chairman
Mr. N. R. Mohanty *	Member
Mr. N. Rajagopal	Member
Mr. Udayant Malhoutra	Member

Notes:

* Mr. N. R. Mohanty ceased as a Member with effect from 27th January 2007.

ii. Committee meetings held during the year 2006-07

Name	No. of Meetings held	Meetings attended
Dr. K. Aprameyan	4	3
Air Chief Marshal S. Krishnaswamy (Retd.)	4	4
Mr. N. R. Mohanty *	4	1
Mr. N. Rajagopal	4	3
Mr. B. Seshnath **	4	2
Mr. Udayant Malhoutra	4	3

Notes:

* Mr. N. R. Mohanty ceased as a Member with effect from 27th January 2007.

** Mr. B. Seshnath ceased to be a Committee Member with effect from 24th August, 2006.

The meetings of the Technical Development Committee were held on 27th April 2006, 21st July 2006, 31st October 2006 and 29th January 2007.

II. AUDIT COMMITTEE

Your Company has a qualified and independent Audit Committee. The Board has constituted an Audit Committee and has defined its powers and terms of reference at its meeting held on 21st July, 2001. The Board reviews the scope of the Committee and its terms of reference from time to time.

i. At present, the Committee comprises of the following members:

Mr. Vijai Kapur	Chairman
Mr. J.K. Malhoutra	Member
Dr. K. Aprameyan	Member, Alternative Chairman
Mr. V. Sunder *	Member
Air Chief Marshal S. Krishnaswamy (Retd.)	Member
Mr. N. R. Mohanty **	Member
Mr. B. Seshnath ***	Member
Ms. Shanti Ekambaram ****	Member

Notes:

- * Co-opted as an Executive Director with effect from 24th August, 2006 and will attend Audit Committee meetings as an invitee.
- ** ceased as a Member with effect from 27th January, 2007.
- *** Co-opted as a member with effect from 24th August, 2006.
- **** Co-opted as a member with effect from 30th October, 2006.

All members of the Audit Committee are Non-Executive Directors. The majority of the total number of members of the Committee are independent. Mr. Vijai Kapur, an Independent Director is the Chairman of the Committee and Dr. K. Aprameyan, an Independent Director is the Alternate Chairman to Mr. Vijai Kapur. All the members of the Audit Committee are financially literate, having rich and vast experience in industry having been industrialists or technical experts with exposure to finance, accounting and financial management. The Statutory Auditors and Internal Auditors have been present at every Audit Committee Meeting.

The Chairman of the Audit Committee was present at the Annual General Meeting held on 16th September, 2006 to answer shareholders' queries.

Ms. G. Haritha, Company Secretary, is the secretary to the Committee.

ii. Committee meetings held during the Year 2006-2007

During the year, Audit Committee meetings were held on 28th April, 2006, 22nd July, 2006, 30th October, 2006 and 30th January, 2007.

Name	No. of Meetings held	Meetings attended
Mr. J.K. Malhoutra	4	4
Mr. Vijai Kapur	4	4
Dr. K. Aprameyan	4	3
Air Chief Marshal S. Krishnaswamy (Retd.)	4	4
Ms. Shanthi Ekambaram *	4	1
Mr. V. Sunder **	4	2

Notes:

- * Co-opted as member with effect from 30th October, 2006.
- ** Was co-opted as Executive Director with effect from 24th August, 2006 and will attend Audit Committee meetings as an Invitee.

At the invitation of the Committee, Executive Directors of the Company/ Subsidiary Company/ies, Internal Auditors, Statutory Auditors and Financial Controller will attend and participate in the Committee meeting/s to review and discuss financial performance, disclosure practices, internal control systems, internal audit reports, feedback reports of management and financial policies of the Company so that the Committee is able to oversee the financial reporting process, make appropriate financial disclosures and implement the terms of reference as mandated by the Board and the terms of the Listing Agreement with the Stock Exchanges.

iii. Terms of reference and powers of Audit Committee:

The Company has ensured that all key events concerning governance of the financial reporting process, disclosures and internal control systems of the Company have been brought before the Audit Committee. In addition, the Committee has been provided with the minimum information as specified in Clause 49 II (D) of the Listing Agreement with the Stock Exchanges.

III. SUBSIDIARY COMPANIES

As a part of good Corporate Governance practices, your Company has evolved a specific Management Information System (MIS) structure for periodical reporting of material developments of Subsidiary Companies to the Board.

Dynamatic® has the following Subsidiary Companies:

1. JKM Dae Rim® Automotive Limited, India
 2. JKM Research Farm Limited, India
 3. JKM Global Pte. Limited, Singapore
- a. Pursuant to Clause 49 of the Listing Agreement with The Stock Exchanges, JKM Dae Rim® Automotive Limited is a 'Material non-listed Indian Subsidiary Company' and as per the requirement of the said Clause, Dr. K. Aprameyan, an Independent Director of the Company is also a Non Executive Independent Director on the Board of the Subsidiary.
- b. As provided under the terms of reference, the Audit Committee reviews the financial statements and all material developments of the Subsidiary Companies on a periodic basis.
- c. The minutes of the meetings of the Board and General Meeting of the Subsidiary Companies are placed before the Board of Directors of the Company for information and necessary advice thereon. The Board of Directors periodically reviews all significant transactions and arrangements entered into by the Subsidiary Companies.

IV. DISCLOSURES

a. Basis of Related Party Transactions:

All related party transactions have been entered into in the ordinary course of business and were placed before the Audit Committee in a summarized form. During the year, there were no materially significant related party transactions i.e. transactions of the Company of material nature, with its Promoters, the Directors or the Management, their Subsidiaries or Relatives etc. which had a potential conflict of interest with the Company. All individual transactions with related parties were on an arms length basis.

Periodically, a summarized statement of transactions entered into with related parties is placed before the Audit Committee for consideration.

The Accounting Standards issued by The Institute of Chartered Accountants of India as applicable to the Company from time to time, have been complied with in preparation to the financial statements.

b. Board Disclosure – Risk Management:

Risk assessment and its minimization procedure have been laid down in consultation with the members of the Board. These procedures are periodically reviewed to ensure that executive management controls risk through means of a properly defined framework. The Board monitors the internal control systems and conducts periodic reviews of its effectiveness and adequacy.

c. Proceeds from Public Issues, Rights Issues, Preferential Issues etc.:

No money was raised through any of the aforesaid means during the financial year under review.

d. Remuneration of Directors:

All pecuniary relationship or transactions including number of shares held by Directors have been disclosed in Para No. I a & b of this report.

The remuneration packages of the Executive Directors are furnished in Para No. 1 c of this Report. Their employment is contractual for a period of 3-5 years. The Company has not issued any Stock Options so far.

The criteria for fixing their remuneration are based on their respective qualifications, work experience and overall performance as recommended by the HRD & Remuneration Committee.

e. Management:

Management Discussion and Analysis Report forms part of the Annual Report to the shareholders.

f. Shareholders:

Your Company has constituted a Shareholders' Committee for overall supervision of all issues relating to shareholders, including share transfers, redressal of shareholders' grievances, issues relating to duplicate share certificates, etc. Representatives of Karvy Computershare Private Limited. Registrar and Transfer agents attend the meetings of the Shareholders' Committee regularly to review the shareholders queries, grievances if any, and to ensure the high quality investor services.

In addition, a Share Transfer Committee (Sub-Committee of Shareholders' Committee) has been constituted to ensure timely and efficient servicing of requests for share transfers and transmissions.

i. The Shareholders' Committee comprises of the following members:

Air Chief Marshal	
S. Krishnaswamy (Retd.)	Chairman
Mr. V. Sunder	Member
Mr. Udayant Malhoutra	Member
Mr. N. R. Mohanty*	Member

Notes:

* ceased as a Member with effect from 27th January 2007.

ii. Name and Designation of Compliance Officer

Ms. G. Haritha	Company Secretary
----------------	-------------------

iii. Share Transfer Committee (sub committee of Shareholders' Committee)

The Share Transfer Committee comprises of the following members:

Mr. Udayant Malhoutra	Chairman
Mr. N. Rajagopal	Member
Ms. G. Haritha	Member

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

g. Complaints received during the Year 2006-2007

The Company had received only 1 complaint relating to transmission of shares, which has since been resolved.

V. CEO & CFO CERTIFICATION

In conformity with Clause 49 V of the Listing Agreement with the Stock Exchanges, a certificate signed by Mr. Udayant Malhoutra, Chief Executive Officer & Managing Director and Mr. V. Sunder, President & Grp. CFO, certifying compliance with the said Clause has been provided to the Board.

VI. REPORT ON CORPORATE GOVERNANCE

a. MANDATORY REQUIREMENTS

The Company has complied with the mandatory requirements as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges.

b. NON MANDATORY REQUIREMENTS

The company has complied with the setting up of the Remuneration Committee. The Company has commenced training of its Board Members and has conducted a Corporate Governance Awareness Workshop for them during the year.

The Board has taken cognizance of the other non-mandatory requirements and will implement them as and when necessary.

c. QUARTERLY COMPLIANCE REPORT

The Company has furnished the Quarterly Compliance Report on Corporate Governance to the Stock Exchanges within 15 days from the close of each quarter of the year to the Stock Exchanges.

VII. COMPLIANCE CERTIFICATE

Compliance certificate, certifying compliances as required under Clause 49 of the Listing Agreement obtained from a Practicing Company Secretary is annexed herewith as **Annexure - II**.

VIII. GENERAL BODY MEETINGS

a. Details of last three Annual General Meetings held:

Year	Date	Venue	Time
2003-04	30.08.2004	Dynamatic Park, Peenya Bangalore 560 058.	3.00 p.m
2004-05	23.07.2005	Dynamatic Park, Peenya Bangalore 560 058.	3.00 p.m
2005-06	16.09.2006	Dynamatic Park, Peenya Bangalore 560 058	3.00 p.m.

During the year 2006-07, there was no such resolution which was required to be passed through Postal Ballot within the meaning of Section 192A of The Companies Act, 1956.

- b. A Special resolution was passed at the previous Annual General Meeting held on 16th September, 2006 authorizing the Board of Directors to borrow monies for the purpose of the business of the Company, provided the total amount including the money/s already borrowed by the Company does not exceed Rs.75 crores.
- c. There is no instance of non-compliance by the Company, penalties, and strictures imposed on the Company by the Stock Exchanges or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.
- d. The Management Discussion and Analysis Report forms part of the Directors' Report.

e. Means of Communication

The Quarterly, Half-yearly and Annual results of the Company are published in Business Standard, all India Edition and in Sanjevani, Bangalore Edition. They are uploaded on the EDIFAR (Electronic Data information Filing and Retrieval System) and also on the Company's Website. In addition, a meeting with analysts is organized on the date of the Annual General Meeting.

IX. GENERAL SHAREHOLDERS INFORMATION

Registered Office/Bangalore Plant	: Dynamatic Park Peenya Bangalore 560 058 Karnataka.
Chennai Plant	: Dynametal Division JKM Park SIPCOT Irrungattukottai Kanchipuram Dist 602 105 Tamil Nadu.
Annual General Meeting	
Date & Time	: 28 th September, 2007 at 2.30 p.m.
Venue	: Dynamatic Park Peenya Bangalore 560 058.
Financial Calendar	: 1 st April to 31 st March
Date of Book Closure	: 21 st September, 2007 to 28 th September, 2007 (Both days inclusive)
Dividend payment date	: After September, 2007 but within the statutory time limit of 30 days.
Listing on Stock Exchange/s	: 1. Bombay Stock Exchange Limited (BSE) Phiroze Jeejee Bhai Towers Dalal Street, Mumbai - 400 001. BSE Code- 505242. 2. National Stock Exchange of India Limited (NSE) "Exchange Plaza" Bandra – Kurla Complex Bandra East Mumbai – 400 051. NSE Code : DYNAMATECH.

X. Details of the Directors to be appointed/re-appointed/ re-designated at the ensuing Annual General Meeting on 28th September, 2007 are given below:

Name of Director	Air Chief Marshal S. Krishnaswamy (Retd.)	Dr. K Aprameyan	Shanti Ekambaram	Raymond Keith Lawton	V. Sunder	N. Rajagopal	Udayant Malhoutra
Appointment/ Re-election/ Re-designation	Re-election of a retiring director	Re-election of a retiring director	Appointment as a Non-Executive Director	Appointment as a Non-Executive Director	Revision in remuneration	Revision in remuneration	Revision in remuneration
Effective Date	28-09-2007	28-09-2007	28-09-2007	28-09-2007	24-08-2007	24-08-2007	24-08-2007
Expertise in the specific field	Fellow of Aeronautical Society of India; Post graduate in Military Science. He is an alumni of National Defence College.	Post Graduate in Automobile Engineering from IISc and has obtained doctorate in the field of Internal Combustion Engines from Paris University, France.	Member of ICAI and ICWAI with over a decade of rich experience in various Banking Businesses.	Mechanical Engineer with over two decades of rich experience in Mechanical and Production Engineering.	Fellow Member of the Institute of Company Secretaries of India (ICSI) having two decades of rich experience in Finance and Legal.	Mechanical Engineer with over three decades of rich, comprehensive experience in engineering.	An Industrialist.
List of Directorship held in Public Companies	1. Dynamatic Technologies Limited	1. Dynamatic Technologies Limited 2. JKM Daerim [®] Automotive Limited	1. Dynamatic Technologies Limited 2. Kotak Mahindra Investments Ltd 3. Kotak Mahindra Capital Company Ltd 4. Kotak Mahindra Securities Ltd 5. Kotak Mahindra Prime Ltd	1. Dynamatic Technologies Limited	1. Dynamatic Technologies Limited 2. JKM Research Farm Limited	1. Dynamatic Technologies Limited	1. Dynamatic Technologies Limited 2. JKM Research Farm Limited 3. JKM Daerim [®] Automotive Limited 4. Greearth Biotechnologies Limited 5. Centrust Financial Limited

XI. SHARE MARKET PRICE DATA

a. The monthly high low quotations and volume of shares traded on National Stock Exchange of India Limited since September 2006:

Month	High Rs.	Low Rs.	Volume of shares traded
September, 2006	1,389.00	978.35	7,667.00
October, 2006	1,107.00	950.00	7,781.00
November, 2006	1,030.00	900.00	7,293.00
December, 2006	1,445.00	1,005.00	44,970.00
January, 2007	1,438.95	1,255.00	19,382.00
February, 2007	1,479.00	1,280.00	25,382.00
March, 2007	1,358.00	1,110.00	12,956.00

b. The monthly high and low quotations and volume of shares traded on Bombay Stock Exchange Limited:

Month	31 st March, 2006			31 st March, 2007		
	High Rs.	Low Rs.	Volume of shares traded	High Rs	Low Rs.	Volume of shares traded
April, 2006	539.30	415.00	6,690	1,932.55	1,351.00	47,616
May, 2006	698.00	465.00	19,780	1,810.00	1,345.00	56,011
June, 2006	700.00	584.00	8,422	1,335.20	780.25	69,151
July, 2006	1,100.00	641.00	7,240	960.00	671.00	32,875
August, 2006	1,090.00	863.00	8,000	1,070.00	786.10	87,398
September, 2006	1,090.00	876.00	2,010	1,343.85	980.00	92,644
October, 2006	1,285.00	715.00	9,161	1,084.00	966.80	101,706
November, 2006	1,016.00	779.00	2,490	1,050.00	905.60	54,866
December, 2006	1,248.00	901.00	3,455	1,450.00	975.00	211,424
January, 2007	1,291.15	1,100.00	4,023	1,414.00	1,263.10	49,419
February, 2007	1,340.00	1,134.05	371	1,509.75	1,275.00	159,352
March, 2007	1,482.00	1,250.00	722	1,357.00	1,122.00	77,545

Notes:

High and Low are in rupees per traded share
Volume is the total monthly shares traded.

XII. DISTRIBUTION SCHEDULE AS ON 31st MARCH, 2007

No. of Equity Shares held	No. of Share holders	% of total Share holders	No. of Shares	Amount	% of Amount
1 - 5,000	4,618	91.39	413,335	4,133,350	9.86
5,001 - 10,000	232	4.59	168,161	1,681,610	4.01
10,001 - 20,000	108	2.14	154,634	1,546,340	3.69
20,001 - 30,000	35	0.69	87,269	872,690	2.08
30,001 - 40,000	11	0.22	40,212	402,120	0.96
40,001 - 50,000	8	0.16	38,665	386,650	0.92
50,001 - 100,000	16	0.32	101,050	1,010,500	2.41
100,001 & Above	25	0.49	3,190,234	31,902,340	76.07
Total	5,053	100.00	4,193,560	41,935,600	100.00

XIII. SHAREHOLDING PATTERN

Category	31 st March, 2006		31 st March, 2007	
	No. of Shares held	Percentage	No. of Shares held	Percentage
PROMOTER'S HOLDING				
Indian Promoter's				
Barota Malhoutra	4,938	0.12	4,938	0.12
Christine Hoden (I) Pvt Ltd	100	0.00	100	0.00
J. K. Malhoutra	100	0.00	100	0.00
JKM Holdings Pvt Ltd	803,135	19.15	803,135	19.15
JKM Offshore India Pvt Ltd	414,769	9.90	414,769	9.90
Primella Sanitary Products Pvt Ltd	100	0.00	100	0.00
Udayant Malhoutra	1,050,854	25.05	1,050,854	25.05
Udita Malhoutra Nabha	3,333	0.09	0.00	0.00
Udayant Malhoutra & Co., Pvt Ltd	100	0.00	100	0.00
Vita Pvt Ltd	100	0.00	100	0.00
Wavell Investments Pvt Ltd	119,790	2.86	119,790	2.86
Total	2,397,319	57.17	2,393,986	57.08

Category	31 st March, 2006		31 st March, 2007	
	No. of Shares held	Percentage	No. of Shares held	Percentage
NON-PROMOTERS HOLDING				
Institutional Investors	0	0.00	0	0.00
Mutual Funds	41,231	0.98	10,700	0.26
Banks, Financial Institutions, Insurance Companies	392	0.01	392	0.01
Foreign Institutional Investors	363,464	8.67	527,249	12.57
Total	405,087	9.66	538,341	12.84
Others				
Private Corporate Bodies	187,027	4.46	137,861	3.29
Indian Public	1,176,184	28.05	1,083,473	25.84
NRIs/OCBs	24,119	0.57	34,726	0.83
Trust	3,824	0.09	3,969	0.09
Clearing Agents	0	0.00	1,204	0.03
Total	1,391,154	33.17	1,261,233	30.08
Grand Total	4,193,560	100.00	4,193,560	100.00

XIV. STATUS OF DEMATERIALISATION OF SHARES AS ON 31st MARCH, 2007

Particulars	No. of Shares	% of total Capital
National Securities Depository Limited	2,008,295	47.89
Central Depository Services (I) Limited	90,945	2.17
Total Dematerialized	2,099,240	50.06
Physical	2,094,320	49.94
Grand Total	4,193,560	100.00

XV. REGISTRAR AND TRANSFER AGENTS

Karvy Computershare Private Ltd (Formerly Karvy Consultants Limited)

Registrar & Share Transfer Agents

Plot No. 17-24

Vittal Rao Nagar

Madhapur

Hyderabad -500081

Tel No. 040 23420815 -20

Email: sanjayrao@karvy.com / kiran@karvy.com

Investor Correspondence may be addressed to Karvy Computershare Private Limited, Hyderabad.

XVI. FOR ANY GENERAL ASSISTANCE AT THE REGISTERED OFFICE INVESTORS MAY CALL ON:

G. Haritha

Company Secretary

Ph : +91 80 28394933, 28394934

Fax : +91 80 28395823

Email : haritha@dynamics.net

CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE

Registration No : L85110KA1973PLC002308
Nominal Capital : Rs. 25 Crores

To,

The Members,
Dynamatic Technologies Limited,
Dynamatic Park, Peenya,
Bangalore 560 058.

I have examined all the relevant records of **DYNAMATIC TECHNOLOGIES LIMITED** for the purpose of certifying compliance of the conditions of Corporate Governance under Clause 49 of the Listing Agreement with the Stock Exchanges for the financial year ended 31st March, 2007. I have obtained all the information and explanations which to the best of my knowledge and belief were necessary for the purposes of certification.

The compliance of conditions of corporate governance is the responsibility of the Management. My examination was limited to the procedure and implementation process adopted by the Company for ensuring the compliance of the conditions of the corporate governance. This certificate is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

On the basis of my examination of the records produced, explanations and information furnished, I certify that the Company has complied with all the mandatory requirements of the said Clause 49 of the Listing Agreement and Clause(2) of Non-Mandatory Requirements relating to Remuneration Committee

PLACE: BANGALORE
DATE : 16th JULY, 2007



V. SREEDHARAN
Practicing Company Secretary
FCS 2347; CP NO. 833



CORPORATE SUSTAINABILITY REPORT

MESSAGE FROM THE C.E.O & MANAGING DIRECTOR

If Dynamatic Technologies has been successful in consistently achieving high growth rates, it is largely due to its philosophy of proactively pursuing balanced and sustainable business policies.

These include a deep commitment to improving the quality of its products on a continual basis, providing improved value to its customers, improving the quality of life of its employees, providing a secure environment for its financiers and suppliers, and contributing to our Society, Environment and Nation.

Our approach towards sustainability has not been based on stand-alone initiatives, but rather on a holistic and integrated approach to business development. Happy employees are performers. They develop innovative products efficiently, and serve customers' needs by delivering value for money. This ensures the long-term economic relevance of our enterprise, in turn creating a secure environment for financiers and suppliers. From this basic business cycle, come profits on a sustainable basis.

Key Learnings

A business philosophy that abjures waste and is based on conservation and optimal utilization of resources, will also simultaneously deliver superior financial results along with a positive ecological impact.

A focus on Safety, Human Resource Development and enhancement of Intellectual Property will help de-risk the Company, and also contribute to societal development.

Eventually sustainable business policies form an important and integral part of good corporate governance.

Udayant Malhoutra

Chief Executive Officer & Managing Director

1. OUR VISION, BUSINESS PHILOSOPHY AND SUSTAINABILITY

- To secure market leadership, technological competence and enhance brand equity as a global leader
- To provide a safe, nurturing and learning environment for our human resources
- To have a zero tolerance of any transmission of wastes into the environment
- To secure and de-risk financiers and suppliers
- To transform the Company into a global R&D organization, with a pre-eminent market position in the Hydraulic, Automotive and Defence sectors in Asia
- To consistently achieve returns higher than the cost of capital
- To comply with all legal requirements expected of the Company in every country we are present
- To enhance shareholder wealth
- To help in the creation of a strong, modern and vibrant India
- To be an example to any corporate, anywhere in the world, in terms of global best-in-class environmental practices.

Our Vision & Business Philosophy is driven by our Values, which are:

1.1. CUSTOMER CENTRIC RESEARCH

Over the years, Dynamatic® Divisions and Subsidiaries have forged deep and lasting relationships with all their stakeholders, which have enabled them to grow continuously. These relationships are based on mutual trust and respect, and upon their collective capabilities in delivering complex technological solutions, at economically viable price levels.

We are geared towards providing innovative and creative solutions to our customers on a continuous basis. Every business process is built around the customer. We firmly believe that our success is merely a reflection of our ability to delight our customers.

VERTICAL GREEN

As we build modern facilities and 'go vertical', there is a simultaneous loss of green cover as we lose garden spaces. At Dynamatic Park, we 'grow vertically green' by planting trees, shrubs and plants that provide green cover vertically rather than horizontally.

4764

trees, grass and plants were planted during the year.



BRIGHT &
EFFICIENT

18-22%



All Dynamatic® buildings are coloured silver and canary yellow. Apart from a cheerful visual identity, these buildings reflect sunlight and absorb less heat, therefore saving approximately 18-22% on energy costs (for cooling).

We interact constantly with our customers, understand their needs and endeavor to satisfy them. We strive to satisfy the customers' stated and unstated needs, by understanding applications and anticipating future trends. We spend considerable time in the field, listening to farmers, mechanics, drivers, equipment handlers... And very often suggest improvements to our customer, before their customers do. Our technology and quality processes are therefore predictive in nature, anticipating change, rather than reacting to it.

1.2 EMPHASIS ON KNOWLEDGE ACQUISITION AND APPLICATION

Dynamatic® has been adopting and following world-class business practices, at modern manufacturing facilities located at Bangalore and Chennai. Both are eco-friendly and designed to eliminate waste. We constantly strive to deliver superior value to our customers by challenging ourselves and pushing the boundaries of knowledge through imagination and diligence. This approach has led us to continuously innovate and develop highly engineered products, through investment in R&D, process improvements and elimination of operational inefficiencies. This

has resulted in us building a successful business model for ourselves, capable of returning high yields to investors and improving the quality of life of all employees, as well as the society/ community in which we exist and work. As Dynamatic® globalizes, these values will be extended across the world, and in turn, new learnings, best practices, processes and experiences will be absorbed into the existing organization.

1.3 HUMAN CAPITAL

Dynamatic® is built upon a foundation of basic values, and its commitment to quality and equal opportunity. Your

Company strives to attract the finest talent available and then provides a result-oriented environment based on meritocracy and egalitarianism.

At Dynamatic®, we firmly believe that the key to sustained growth is not mere addition to physical capacities but is actually the ability to dramatically enhance and utilize human capabilities.

1.4 SOCIETAL LINKAGES

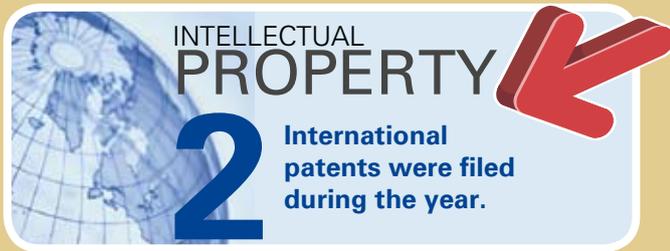
We are proud of our civilization's heritage, and the values of our ancient land; the values of trust and integrity. The need to contribute to society, and care for our environment. The value of enduring relationships.

At the same time, we believe that there are no limits to our dreams, if only we align our own aspirations, with a vision of a strong, modern and vibrant India.

2. DIMENSIONS OF SUSTAINABILITY

2.1. SUSTAINABILITY POLICY

We at Dynamatic® are driven by the fundamental objective of enhancing the value of the Company to all stakeholders, such as shareholders, customers, suppliers, financiers, employees and to the society at large. We firmly believe that sustained growth can only be fostered by developing a work ethic founded upon the core values of integrity, transparency, professionalism, empowerment and accountability. We



endeavor to uphold and nurture these core values in all facets of operations.

Being a responsible corporate citizen, we understand that sustained growth can only come about when equal attention is paid to all elements of the Triad of Sustainability, namely Economic Growth, Environment Friendliness and Social Equity. We believe that such growth can only be achieved through a firm commitment to these elements over the long term, and are prepared to take actions commensurate to this goal.

We cannot build today at the cost of our tomorrow. We at Dynamatic®, are concerned about the rapidly deteriorating environment and have taken concrete steps to improve areas surrounding our industrial sites. We have great pleasure in presenting a report of our current efforts and performance, in terms of Corporate Sustainability.

Udayant Malhoutra
Chief Executive Officer & Managing Director

2.2 THE TRIAD OF SUSTAINABILITY

At Dynamatic®, the path to sustainability has the following elements:
Economic Growth, Environment-Friendliness and Social Equity.

2.2.a. ECONOMIC GROWTH

- Value Engineering: reduction of raw material consumption by optimizing product design
- Maximize our efforts in developing new products and cost effective applications through continuous innovation
- Development of complete hydraulic solutions for mechanized agriculture, earth moving, material handling, machine tools, defense and precision parts for aerospace applications
- We continue to enhance the value of the Company to the shareholders
- Secure market leadership, technological competence and brand equity as a global leader.

- Maximization of productivity and maintenance of cost leadership

2.2 b. ENVIRONMENT- FRIENDLINESS

- Treatment of wastage water and using it for gardening as a process of water conservation.
- Rainwater harvesting
- All business processes are designed to ensure that no wastage is transmitted to our environment
- Energy consumption in each plant is monitored, optimized and minimized
- Design and Redesign products that are safe, energy saving and environment friendly
- Design all our processes with efficiency and energy conservation in mind.

2.2.c. SOCIAL EQUITY

- Not allowing any form of discrimination in employment or promotion
- Imparting training and development programs to facilitate multi-tasking and multi-skilling
- Practicing safety norms and help protection. Standing as a model by winning safety awards
- Emissions: the air quality in our plants is continuously monitored for suspended particulate matter, and is kept well within safe limits.
- Foster a culture of empowerment
- Elevation of workers into management cadre
- Promote the usage of six sigma practices amongst all employees
- Practice open dialogue with employees, customers, government agencies, trade associations and with communities all around our facilities
- Undertake disaster relief programs in times of need (earthquake, floods, Tsunami, etc.)
- Interactive sessions with local community
- Increase employment of Women
- Increase employment of individuals coming from disadvantaged communities

SOCIAL DEVELOPMENT

Over the years, Dynamatic® has been rewarding children of all employees for academic prowess . An overwhelming number of the children of our factory workers have successfully graduated in the Sciences, Arts and Commerce, several have completed post-graduate degrees, and now a few are enrolling for Doctoral studies.

AUDITORS' REPORT TO THE MEMBERS OF DYNAMATIC TECHNOLOGIES LIMITED

1. We have audited the attached Balance Sheet of Dynamatic Technologies Limited as at March 31, 2007 and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report)(Amendment) Order, 2004, (together the 'Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the applicable accounting standards referred to in sub-section (3C) of Section 211 of the Act;
 - e) On the basis of written representations received from the directors, as on March 31, 2007, and taken on record by the Board of Directors, none of the directors are disqualified as on March 31, 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
 - f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements, together with the notes thereon and attached thereto, give, in the prescribed manner, the information required by the Act, and also give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2007,
 - ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date and
 - iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.



S. Dutta

Partner

Membership No.: F50081

For and on behalf of

PLACE : BANGALORE **Price Waterhouse & Co.,**

DATE : 7th AUGUST, 2007 Chartered Accountants

ANNEXURE TO THE AUDITORS' REPORT REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE:

- (i) (a) The Company has maintained proper records to show full particulars including quantitative details and situation of its fixed assets.
- (b) The fixed assets of the Company are physically verified by the management according to a phased programme designed to cover all the items over a period of three years, which we consider reasonable. Pursuant to the programme, a physical verification was carried out during the year and this revealed no material discrepancies.

- (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year.
- (ii) (a) The inventory of the Company has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company has maintained proper records of inventory, and the discrepancies between the physical inventory and the book stocks, which have been properly dealt with in the books, were not material.
- (iii) (a) As detailed in Schedule 21 Note 9 to the accounts, the Company has granted unsecured loans to companies listed in the register maintained under Section 301 of the Act. The maximum amount involved during the year and the year-end balance of such loans aggregate to Rs.35,141,061 and Rs.35,141,061 respectively.
- (b) In our opinion, the rate of interest and other terms and conditions of such loans were not prima facie prejudicial to the interests of the Company.
- (c) In respect of the aforesaid loans, the parties are repaying the principal amounts as stipulated and also regular in payment of interest, where applicable.
- (d) In respect of the aforesaid loans, there is no overdue amount.
- (e) The Company has taken unsecured loan, from a party covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year and the year-end balance of such loans aggregates to Rs. 800,000 and Rs. 800,000 respectively.
- (f) In our opinion, the rate of interest and other terms and conditions of such loan are not prima facie prejudicial to the interest of the Company.
- (g) In respect of the aforesaid loan, the Company is regular in repaying the principal amount as stipulated and is also regular in payment of interest, where applicable.
- (iv) In our opinion, having regard to the information and explanations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. Further, we have neither come across nor have been informed of any major weaknesses in the internal control system in the aforesaid areas.
- (v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements that are required to be entered in the register in pursuance of Section 301 of Act have been so entered.
- (b) In our opinion, the transactions made in pursuance of contract or arrangements entered in register maintained under Section 301 of Act have been made at prices, which are reasonable having regard to prevailing market prices at the relevant time.
- (vi) In the cases of public deposits accepted by the Company, the directives issued by the Reserve Bank of India and the provision of Section 58A of the Act and the rules framed there under, where applicable, have been complied with.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- (viii) On the basis of the records produced, we are of the opinion that, prima facie, the cost records and accounts prescribed by the Central Government of India under Section 209(1)(d) of the Act have been maintained. However, we are not required to and have not carried out any detailed examination of such accounts and records.
- (ix) (a) In our opinion, the Company is generally regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess, as may be applicable and any other material statutory dues except dues in respect of income tax deducted at source aggregating to Rs. 4,020,959 which however are not outstanding for a period of more than six months with the appropriate authorities as observed by us during the course of our examination of the books of account carried out in accordance with generally accepted auditing practices in India.
- (b) According to the information and explanations given to us and the records of the company

examined by us, there are no dues of income-tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess which have not been deposited on account of any dispute.

- (x) The Company has neither accumulated losses as at March 31, 2007 nor has it incurred any cash loss either during the financial year ended on that date or in the immediately preceding financial year.
- (xi) According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of dues to any financial institution or bank as at the balance sheet date.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Company, for loans taken by others from banks or financial institutions during the year, are not prejudicial to the interest of the Company.
- (xiv) In our opinion, and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained except for Rs. 99,154,800 drawn at the fag end of the

year which has not been utilized by the year end.

- (xv) On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.
- (xvi) During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India, no fraud on or by the Company has been noticed or reported during the year nor have we been informed of such case by the management.
- (xvii) The other clauses of the Order namely clauses (xiii), (xiv), (xviii), (xix) and (xx) were not applicable to the Company during the year.



S. Dutta

Partner

Membership No.: F50081

For and on behalf of

Price Waterhouse & Co.,

Chartered Accountants

PLACE : BANGALORE

DATE : 7th AUGUST, 2007

BALANCE SHEET AS AT 31ST MARCH, 2007

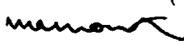
SOURCES OF FUNDS	Schedule	2007 Rs.	2006 Rs.
Shareholders Fund			
Capital	1	41,935,600	41,935,600
Reserves and Surplus	2	296,040,461	221,031,943
Loan Funds:			
Secured Loans	3	459,694,485	334,133,844
Unsecured Loans	4	56,908,431	64,970,687
Deferred Tax Liability [Schedule 21 Note 15]		55,103,206	37,002,348
		909,682,183	699,074,422
APPLICATION OF FUNDS			
Fixed Assets:	5		
Gross Block		699,896,534	588,718,023
Less: Depreciation		319,859,766	296,486,878
Net Block		380,036,768	292,231,145
Capital Work-in-progress		185,051,776	61,491,790
Incidental Expenditure during Construction Period	6	34,101,682	13,895,158
		599,190,226	367,618,093
INVESTMENTS	7	78,544,151	78,644,151
Current Assets, Loans and Advances:			
Inventories	8	163,336,943	155,048,189
Sundry Debtors	9	339,342,118	288,302,155
Cash and Bank Balances	10	16,907,751	17,685,119
Other Current Assets	11	17,291,555	12,864,449
Loans and Advances	12	86,087,334	60,068,583
		622,965,701	533,968,495
Less: Current Liabilities and Provisions:			
Liabilities	13	347,068,391	248,221,466
Provisions	14	43,949,504	32,934,851
		391,017,895	281,156,317
Net Current Assets		231,947,806	252,812,178
		909,682,183	699,074,422
Notes on Accounts	21		
Balance Sheet Abstract and Company's			
General Business Profile	22		

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

This is the Balance Sheet referred to in our report of even date.


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


J.K. MALHOUTRA
Chairman

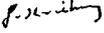

UDAYANT MALHOUTRA
CEO and Managing Director


VIJAI KAPUR
Director


V. SUNDER
President and
Group CFO


N. RAJAGOPAL
Executive Director
& COO


Dr. K. APRAMEYAN
Director


Air Chief Marshal (Retd.) S. KRISHNASWAMY
Director

PLACE : BANGALORE
DATE : 7th AUGUST, 2007


N. MURALI
G M - Finance


G. HARITHA
Company Secretary

PLACE : BANGALORE
DATE : 7th AUGUST, 2007

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

INCOME	Schedule	2007 Rs.	2006 Rs.
Sales and Services	15	1,282,356,271	1,067,067,332
Less: Excise duty included therein		<u>167,927,607</u>	<u>135,642,031</u>
Net Sales		1,114,428,664	931,425,301
Other Income	16	<u>45,339,064</u>	<u>39,078,360</u>
		<u>1,159,767,728</u>	<u>970,503,661</u>
EXPENDITURE			
Cost of Material	17	585,268,667	451,592,922
Employee Cost	18	137,910,983	119,704,896
Other Operating Expenses	19	<u>210,877,515</u>	<u>199,792,130</u>
		<u>934,057,165</u>	<u>771,089,948</u>
Operating Profit before Depreciation and Interest (EBITDA)		225,710,563	199,413,713
Depreciation	41,545,886	36,393,169	
(Less): Transfer from Revaluation Reserve	<u>(341,996)</u>	<u>41,203,890</u>	<u>(345,417)</u>
Interest	20	<u>38,515,291</u>	<u>33,628,701</u>
Profit before Taxation and Prior Period Items		145,991,382	129,737,260
Prior Period Depreciation		-	1,870,621
Profit before taxation		145,991,382	127,866,639
Provision for Taxation			
(Less): Current Tax [including provision in respect of earlier years Rs. 84,868 (2006: Rs. 821,340)]		(26,000,000)	(44,436,026)
Add/(Less): Deferred Tax (Charge)/Credit [Schedule 21 Note 15]		(18,100,858)	5,835,007
(Less): Fringe Benefit Tax		(1,920,000)	(2,167,669)
(Less): Wealth Tax		(89,781)	(60,433)
Profit after taxation available for appropriation		99,880,743	87,037,518
Appropriations			
Dividend :			
- Interim		8,387,120	8,387,120
- Final (Proposed)		12,580,680	12,580,680
Dividend Tax thereon		3,562,429	2,940,734
Balance Transferred to General Reserve		<u>75,350,514</u>	<u>63,128,984</u>
		<u>99,880,743</u>	<u>87,037,518</u>
Earnings Per Share - Basic and Diluted [Schedule 21 Note 26]		23.82	20.76

Notes on Accounts

21

Balance Sheet Abstract and Company's General Business Profile

22

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

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


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


J.K. MALHOUTRA
Chairman

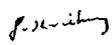

UDAYANT MALHOUTRA
CEO and Managing Director


VIJAI KAPUR
Director


V. SUNDER
President and
Group CFO


N. RAJAGOPAL
Executive Director
& COO


Dr. K. APRAMEYAN
Director


Air Chief Marshal (Retd.) S. KRISHNASWAMY
Director

PLACE : BANGALORE
DATE : 7th AUGUST, 2007


N. MURALI
G M - Finance


G. HARITHA
Company Secretary

PLACE : BANGALORE
DATE : 7th AUGUST, 2007

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

	2007 Rs.	2006 Rs.
A. Cash Flow From Operating Activities:		
Net profit before tax	145,991,382	127,866,639
Adjustments for:		
Depreciation	41,203,890	37,918,372
Interest Expense	38,515,291	35,332,651
Interest Income	(2,355,494)	(1,850,653)
Income from Investment - Dividends	(14,600,000)	(17,538,000)
(Profit)/Loss on Fixed Assets sold	622,751	190,695
Deferred revenue expenditure written off	-	4,193,684
Debts / Advances Written off	1,756,481	2,826,879
Provision for Bad & Doubtful Debts	3,369,812	4,098,434
Provision for Doubtful Advances	63,630	-
Liability no longer required written back	(454,062)	(2,341,797)
Provision for Gratuity & Leave Encashment	3,680,790	2,400,577
Provision for diminution in value of Investments	-	92,152
Unrealised foreign exchange (gain) /loss	176,776	402,645
Provision for warranty	454,917	200,000
Operating profit before working capital changes	218,426,164	193,792,278
Adjustments for changes in working capital :		
- (INCREASE)/DECREASE in Sundry Debtors	(57,668,181)	(65,511,016)
- (INCREASE)/DECREASE in Other Receivables	(20,730,268)	(8,812,344)
- (INCREASE)/DECREASE in Inventories	(8,288,754)	(36,378,700)
- INCREASE/(DECREASE) in Trade and Other Payables	85,492,441	77,451,815
Cash generated from operations	217,231,402	160,542,033
- Direct Tax paid	(29,379,430)	(30,159,290)
- Fringe Benefit Tax paid	(1,936,513)	(2,151,156)
Net cash from operating activities	185,915,459	128,231,587
B. Cash Flow From Investing Activities:		
Purchase of fixed assets	(265,137,320)	(131,740,775)
Proceeds from Sale of fixed assets	5,742,264	1,716,197
Proceeds from Sale of Investments	100,000	500
Purchase of investments	-	(130,550)
Loans/ICDs extended during the year	-	(2,629,370)
Loans/ICDs refunds received	-	4,447,945
Interest Received (Revenue)	1,210,862	1,850,653
Dividend Received	5,840,000	11,698,000
Proceeds from Government Subsidy	-	-
Redemption of Preference Shares	-	-
Net cash used in investing activities	(252,244,194)	(114,787,400)

2007
Rs.

2006
Rs.

C. Cash Flow From Financing Activities:

Proceeds from long term borrowings	128,752,919	42,907,852
Repayment of long term borrowings	(29,456,636)	-
Proceeds from short term borrowings(NET)	(10,000,000)	(10,054,375)
Proceeds from fixed deposits (NET)	1,929,000	5,385,000
Proceeds from Cash Credits (NET)	26,028,745	2,413,604
Interest Paid	(37,357,541)	(34,778,168)
Dividend Paid	(12,580,680)	(16,774,240)
Dividend Tax Paid	(1,764,440)	(2,352,588)
Net cash used in financing activities	65,551,367	(13,252,915)
Net Increase/(Decrease) in Cash & Cash Equivalents	(777,368)	191,272
Cash and cash equivalents as at 31.03.2006	17,685,119	17,493,847
Cash and cash equivalents as at 31.03.2007	16,907,751	17,685,119
	(777,368)	191,272

Notes:

- 1 The above Cash Flow Statement has been compiled from and is based on the Balance Sheet as at March 31, 2007 and the relative Profit and Loss Account for the year ended on that date.
- 2 The above 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.

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

For and on behalf of the Board of Directors



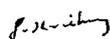
S. Dutta
Partner
For and on behalf of
Price Waterhouse & Co
Chartered Accountants



J.K. MALHOUTRA
Chairman



V. SUNDER
President and
Group CFO



Air Chief Marshal (Retd.) S. KRISHNASWAMY
Director



N. MURALI
G M - Finance



UDAYANT MALHOUTRA
CEO and Managing Director



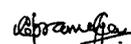
N. RAJAGOPAL
Executive Director
& COO



G. HARITHA
Company Secretary



VIJAI KAPUR
Director



Dr. K. APRAMEYAN
Director

PLACE : BANGALORE
DATE : 7thAUGUST, 2007

PLACE : BANGALORE
DATE : 7th AUGUST, 2007

SCHEDULES TO ACCOUNTS

	2007 Rs.	2006 Rs.
1. CAPITAL		
Authorised:		
20,000,000 (2006 - 20,000,000) Equity Shares of Rs. 10 each	200,000,000	200,000,000
500,000 (2006 - 500,000) Redeemable Cumulative Preference shares of Rs 100 each	50,000,000	50,000,000
	<u>250,000,000</u>	<u>250,000,000</u>
Issued, Subscribed and Paid-up:		
4,193,560 (2006 - 4,193,560) Equity Shares of Rs.10 each fully paid up	41,935,600	41,935,600
	<u>41,935,600</u>	<u>41,935,600</u>
Note:		
Of the above, 1,048,390 (2006: 1,048,390) shares are allotted by way of bonus shares by capitalisation of security premium and capital redemption reserve.		
2. RESERVES AND SURPLUS		
Securities Premium Account	600,000	600,000
Capital Reserve	1,500,000	1,500,000
Capital Redemption Reserve	24,000,000	24,000,000
Revaluation Reserve:		
As per last Balance Sheet	18,107,087	18,578,613
(Less):		
- Additional depreciation charge on revalued fixed assets transferred to Profit and Loss Account [Schedule 21 Note 1(b)]	(341,996)	(345,417)
- Valuation adjustment on fixed assets discarded during the year	<u>-</u>	<u>(126,109)</u>
	17,765,091	18,107,087
General Reserve:		
As per last Balance Sheet	176,824,856	113,695,872
Add:		
- Transferred from Profit and Loss account	<u>75,350,514</u>	<u>63,128,984</u>
	252,175,370	176,824,856
	<u>296,040,461</u>	<u>221,031,943</u>

5 FIXED ASSETS [Schedule 20 Note 1(b)]

Rupees

	GROSS BLOCK- AT COST OR REVALUATION						DEPRECIATION					NET BLOCK	
	2006	Additions	Deletions	2007	2006	Additions	Deletions	On Revalued Amount	2007	2007	2006	2006	
	Tangible Assets												
Land and Development	18,340,917	-	-	18,340,917	-	-	-	-	-	-	18,340,917	18,340,917	
Buildings	75,144,925	55,916,375	1,629,524	129,431,776	15,968,984	2,617,722	231,109	312,699	18,355,597	111,076,179	59,175,941	59,175,941	
Plant And Machinery (Note 1 and 2 below)	323,565,741	38,748,660	214,330	362,100,071	194,603,702	23,577,401	191,359	-	217,989,744	144,110,327	128,962,039	128,962,039	
Measuring Instruments	15,585,961	725,335	27,262	16,284,034	8,277,295	697,738	21,378	-	8,953,655	7,330,379	7,308,666	7,308,666	
Electrical Installations	24,855,037	7,548,700	-	32,403,737	7,653,387	1,198,036	-	29,297	8,851,423	23,552,314	17,201,650	17,201,650	
Data Processing Equipment	30,072,962	7,270,726	2,661,973	34,681,715	21,980,037	3,889,875	2,491,610	-	23,378,302	11,303,413	8,092,925	8,092,925	
Office Equipment	12,548,565	1,561,797	130,000	13,980,362	4,370,149	1,821,693	98,001	-	6,093,841	7,886,521	8,178,416	8,178,416	
Furniture And Fixtures	7,866,201	4,660,945	-	12,527,146	4,602,611	1,070,718	-	-	5,673,329	6,853,817	3,263,590	3,263,590	
Tools, Dies And Moulds	47,469,262	7,119,126	19,115,643	35,472,745	23,706,218	3,863,466	14,872,342	-	12,697,342	22,775,403	23,763,044	23,763,044	
Vehicles	18,524,569	10,959,998	637,673	28,846,894	4,706,670	2,292,081	267,199	-	6,731,552	22,115,342	13,817,899	13,817,899	
Intangible Assets													
Application Software	14,743,883	1,083,254	-	15,827,137	10,617,825	517,156	-	-	11,134,981	4,692,156	4,126,058	4,126,058	
2006	588,718,023	135,594,916	24,416,405	699,896,534	296,486,878	41,545,886	18,172,998	341,996	319,859,766	380,036,768	292,231,145	292,231,145	
Capital Work-in-progress:	534,381,096	61,323,070	6,986,143	588,718,023	263,176,231	38,263,790	4,953,143		296,486,878		61,491,790	61,491,790	
Tangible Assets [Including capital advances Rs. 15,344,821 (2006 : Rs. 8,590,983)]											565,088,544	353,722,935	

Notes:

- Plant and Machinery includes machinery leased to third parties Rs. 22,199,039 (2006: Rs.20,923,478) [Schedule 21 Note 19 (b)]
- Additions to Plant and Machinery are net of foreign exchange gain Rs Nil (2006: Rs. 417,250).
- Land and Development, Buildings and Electrical Installations includes value added on revaluation Rs. 17,654,029 (2006: Rs. 18,107,087) (Schedule 21 Note 23)
- Plant and Machinery and Capital Work-in-progress includes borrowing costs capitalised during the year Rs 6,171,145 (2006: Rs. 1,366,657) [Schedule 21, Note 1 (C)]

5. Fixed Assets used for Research and Development Activities :

Particulars

	Original Cost	2007	2006
Building	53,738,886		
Plant and Machinery	76,322,125		
Measuring Instruments	3,260,664		
Electrical Installations	8,010,222		
Data Processing Equipment	33,173,634		
Office Equipments	2,121,083		
Furniture And Fixtures	6,129,541		
Tools, Dies And Moulds	-		
	<u>182,756,155</u>		
		<u>113,241,334</u>	

6. Incidental Expenditure During Construction Period

(Schedule 21 Note 21)

Project: Aerospace- Sukhoi- 30 and helicopters

	2006	Additions	2007 Rs.	2006 Rs.
Employee Cost:				
Salaries, Wages and Bonus	10,281,913	14,176,874	24,458,787	10,281,913
Other Expenses:				
Raw Material Labour Charges	126,455	2,814,989	2,941,444	126,455
Consumables and Tools	1,225,876	2,404,165	3,630,041	1,225,876
Power and Fuel	931,343	1,872,462	2,803,805	931,343
Travelling Expenses	1,792,625	2,333,056	4,125,681	1,792,625
Interest on borrowings	-	226,355	226,355	-
Miscellaneous Expenses	9,946	55,655	65,601	9,946
	14,368,158	23,883,556	38,251,714	14,368,158
(Less): Sale out of Trial Production	(473,000)	(3,677,032)	(4,150,032)	(473,000)
	13,895,158	20,206,524	34,101,682	13,895,158

7. Investments

[Schedule 21 Note 1 (d)]

Long term-Other than Trade- unquoted

Fully Paid up Shares at Cost:

Investments in Subsidiaries:

5,839,930 (2006: 5,839,930) Equity Shares of Rs.10 each of JKM Daerim® Automotive Limited (Note)	58,399,300	58,399,300
1,999,930 (2006: 1,999,930) Equity Shares of Rs.10 each of JKM Research Farm Limited (Note)	19,999,300	19,999,300
5,000 (2006: 5,000) Equity Shares of S \$ 1 each of JKM Global Pte. Limited, Singapore	130,550	130,550
Investment in other Companies:		
921,530 (2006: 921,530) Equity Shares of Rs.10 each of Murablack (India) Ltd.	9,215,300	9,215,300
Other Investments at Cost:		
3 (2006: 3) Deep Discount Bonds of Rs 5,000 each of Krishna Bhagya Jala Nigam Ltd.	15,000	15,000
Nil (2006: 4,000) Equity Shares of Rs. 25 each of Shamrao Vithal Co-op Bank Ltd (Sold during the year)	-	100,000
	87,759,450	87,859,450
Less: Provision for Dimunition in Value of Investments	9,215,299	9,215,299
	78,544,151	78,644,151

Note: Excluding 70 shares held by nominees of the Company

8. Inventories

[Schedule 21 Note 1 (e)]

Stores and Spares	9,012,110	6,719,586
Raw Materials including components (Note)	91,562,757	93,759,383
Work-in-progress	27,429,367	19,930,181
Finished Goods	35,332,709	34,639,039
	163,336,943	155,048,189

Note:

Including:

- Raw materials in transit Rs. 1,988,853 (2006: Rs.1,900,664)
- Raw materials and components lying with Third parties Rs. 20,691,130 (2006: Rs. 19,756,601)

9. Sundry Debtors (Unsecured)	2007 Rs.	2006 Rs.
Exceeding Six months		
Considered Good	25,274,124	16,433,085
Considered Doubtful	7,468,246	4,098,434
Other Debts		
Considered Good (Note)	314,067,994	271,869,070
	346,810,364	292,400,589
Less: Provision for Doubtful Debts	7,468,246	4,098,434
	339,342,118	288,302,155

Note:

Includes due from a subsidiary Rs. 50,707,083 (2006: Rs. 59,970,102)

10. Cash and Bank Balances		
Cash on hand	765,078	115,960
Balance with Scheduled Banks:		
Current Accounts (Note)	4,034,216	4,457,149
Unpaid Dividend Accounts (Schedule 21 Note 29)	1,212,733	1,209,277
Fixed Deposits	1,325,950	955,364
Margin Money Account	9,569,774	10,947,369
	16,907,751	17,685,119

11. Other Current Assets (Unsecured, Considered Good)		
Balance with Excise Authority	1,586,297	154,156
Interest accrued	1,144,632	-
Other Deposits	14,560,626	12,710,293
	17,291,555	12,864,449

12. Loans and Advances (Unsecured, Considered Good except as otherwise stated)		
Inter-Corporate Loans (Schedule 21 Note 9)	35,141,061	35,141,061
Loans to Employees	2,267,902	2,294,753
Prepaid Expenses	2,187,666	2,126,809
Advances recoverable in cash or in kind or for value to be received	47,394,830	21,346,455
[Including Rs.904,125 (2006: Rs. 840,495) considered doubtful]	86,991,459	60,909,078
Less: Provision for Doubtful Advances	904,125	840,495
	86,087,334	60,068,583

13. Current Liabilities		
Acceptances	115,107,940	85,010,690
Sundry Creditors:		
Small Scale Industrial undertakings [Schedule 21 Note 17 (a)]	63,940,790	26,176,339
Others (Note)	113,162,753	92,533,486
Advance from Customers	6,105,612	7,368,434
Interest Accrued but not Due	1,307,687	403,223
Unclaimed Dividend	1,213,497	1,208,732
Other Liabilities (Schedule 21, Note 27)	46,230,112	35,520,562
	347,068,391	248,221,466

Note:

Includes due to subsidiary Rs. 799,718 (2006: Nil)

	2007 Rs.	2006 Rs.
14. Provisions		
Gratuity	4,332,021	1,274,357
Leave Encashment	5,299,245	4,676,119
Product Warranty [Schedule 21 Note 20]	654,917	200,000
Current Taxation [Net of Advance payments Rs. 60,486,507 (2006: 31,252,377)]	9,043,311	12,362,309
Fringe Benefit Tax [Net of Advance payments Rs.1,920,000 (2006: Rs. 2,151,156)]	-	16,513
Wealth Tax	89,781	60,433
Interim Dividend	8,387,120	-
Proposed Final Dividend	12,580,680	12,580,680
Dividend Tax thereon	3,562,429	1,764,440
	<u>43,949,504</u>	<u>32,934,851</u>
15. Sales and Services		
[Schedule 21 Note 1 (f)]		
Sales:		
- Manufactured Goods	1,260,759,515	1,049,476,899
- Traded Goods	2,576,898	3,733,046
Services:		
- Sub Contract Charges	6,899,616	11,539,254
- Service Charges	10,866,489	1,076,697
- Handling Charges	1,253,753	1,241,436
	<u>1,282,356,271</u>	<u>1,067,067,332</u>
16. Other Income		
Interest		
- Banks (Gross) [Tax deducted at source Rs.105,019 (2006: Rs. 58,425)]	562,644	636,692
- Others (Gross) [Tax deducted at source Rs. 392,830 (2006: Rs. 229,490)]	1,792,850	1,213,961
Dividend income from a Subsidiary	14,600,000	17,538,000
Lease rent [Schedule 21 Note 19 (b)]	823,840	868,642
Sale of Scraps [Net of excise duty Rs.4,403,736 (2006: Rs. 2,514,985)]	27,088,626	15,554,485
Liabilities no longer required written back	454,062	2,341,797
Miscellaneous Receipts	17,042	924,783
	<u>45,339,064</u>	<u>39,078,360</u>
17. Cost of Materials		
Raw Materials and Components consumed (Note)	593,041,449	451,143,195
Purchase of Traded Items	636,136	1,186,842
	<u>593,677,585</u>	<u>452,330,037</u>
Movements in Stocks:		
Opening Stock		
- Work-in-progress	19,930,181	19,983,084
- Finished Goods	34,639,039	30,406,290
	<u>54,569,220</u>	<u>50,389,374</u>
Closing Stock:		
- Work-in-progress	27,429,367	19,930,181
- Finished Goods	35,332,709	34,639,039
	<u>62,762,076</u>	<u>54,569,220</u>
(Increase)/ Decrease	(8,192,856)	(4,179,846)
Excise Duty on Opening Stock of Finished Goods	8,562,955	5,120,224
Excise Duty on Closing Stock of Finished Goods	8,346,893	8,562,955
Increase/ (Decrease)	<u>(216,062)</u>	<u>3,442,731</u>
	<u>585,268,667</u>	<u>451,592,922</u>
Note:		
Including value of stock written down Rs.9,493,181 (2006: Rs. 4,581,606)		

	2007 Rs.	2006 Rs.
18. Employees' Cost		
Salaries, Wages and Bonus (Note 1 below)	113,030,418	100,167,040
Contribution to Provident and Other Funds (Note 2 below)	16,253,201	11,658,804
Staff Welfare Expenses	8,627,364	7,879,052
	<u>137,910,983</u>	<u>119,704,896</u>

Notes:

1. Including Provision for Leave Encashment Rs.623,126 (2006: Rs.1,126,220)
2. Including Provision for Gratuity Rs.3,057,664 (2006: Rs. 1,274,357)

19. Other Operating Expenses

Power, Fuel and Utilities	36,612,708	35,529,730
Stores and Spares	48,974,485	37,077,417
Rates and Taxes	9,548,016	7,076,819
Rent [Schedule 21 Note 19 (a)]	10,136,665	9,336,785
Insurance	3,346,307	2,608,497
Repairs and Maintenance		
- Plant and Machinery	12,299,636	8,850,593
- Buildings	1,093,305	1,865,533
- Others	5,011,509	4,921,240
Carriage Outward	15,480,518	15,009,521
Travelling and Conveyance	12,666,423	13,193,147
Vehicle Maintenance	3,350,348	3,032,091
Printing and Stationery	3,165,149	2,942,357
Communication	5,695,829	5,204,633
Professional and Consultancy Charges (Schedule 21 Note 11)	9,156,809	7,473,943
Royalty	-	5,022,907
Exchange Loss (Net)	1,501,965	4,082,002
Bad Debts written off	1,752,676	1,986,384
Doubtful advances written off	3,805	-
Loss on Sale/ Scrapping of Fixed Assets (Note)	622,751	190,695
Product Warranty [Including provision Rs. 454,917 (2006 : 200,000)]	454,917	200,000
Technical Assistance	3,476,600	3,034,382
Advertisement and Sales Promotion	4,818,642	2,278,023
Packing Expenses (Net)	467,046	1,292,704
Discount on Sales	2,607,464	2,634,152
Commission on sales	309,895	652,942
Bank Charges	5,999,759	6,633,593
Donations	197,500	371,850
Directors Sitting Fees	920,000	580,000
Deferred Revenue Expenditure Written Off	-	4,193,684
Provision for Bad and Doubtful Debts (Net)	3,369,813	4,098,434
Provision for Doubtful Advances	63,630	840,495
Provision for Dimunition in the value of Investment	-	92,152
Miscellaneous Expenses	7,773,345	7,485,426
	<u>210,877,515</u>	<u>199,792,130</u>

Note:

Net of Amount transferred from Revaluation Reserve Rs.Nil (2006: Rs. 126,109)

20. Interest

On Fixed Loans	20,232,078	17,604,378
On Others	18,283,213	16,024,323
	<u>38,515,291</u>	<u>33,628,701</u>

21. NOTES TO ACCOUNTS

1. STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES

a. Basis of accounting and preparation of Financial Statements:

The Company adopts the historical cost concept and accrual basis in accordance with generally accepted accounting principles (GAAP) for the preparation of its accounts and complies with the applicable Accounting Standards issued by the the Institute of Chartered Accountants of India and relevant provisions of the Companies Act, 1956.

b. 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. Incidental expenditure incurred during construction period is also capitalised where appropriate.

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

Operating software are capitalised with the related fixed assets, while application software are charged off to revenue except for major application software which are 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 (Note 23 below).

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 of fixed assets.

Impairment of Assets:

At each balance sheet date, the Company assesses whether there is any indication that an asset may be impaired. If any such indication exists, the Company 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.

c. Interest on Borrowings:

The interest on working capital loan is charged against profits for the year in which it is incurred. Interest on borrowings for acquisition of qualifying assets is capitalized till the date of commencement of commercial use of such assets.

d. Investments:

Long term investments are stated at cost, except in the case of a diminution in value other than temporary in nature, where cost is written down.

Dividend Income is recognized when the Company's right to receive dividend is established. Current Investments are stated at lower of cost and realizable value.

e. Inventories:

Inventories are valued at lower of cost and 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.

f. Revenue Recognition and Product Warranty:

Revenue from the sale of goods is recognised on despatch of goods. 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 contract(s) with the customer, are provided for based on estimates made by the Company [Note 20 below]

g. Research and Development (R&D):

The expenditure incurred on acquisition of Fixed Assets in respect of R&D activities are capitalised. The Revenue expenditure incurred on R&D is charged off in the year in which such expenditure is incurred. Income from R&D activities is included under Income from Services.

h. Foreign Currency Transactions:

Foreign Currency transactions are recorded in the books at the rate of exchange prevailing on the date of such transactions.

Liabilities and assets in foreign currency are reckoned in the accounts as per the following governing principles:

Foreign currency liabilities contracted for acquiring fixed assets are restated at the rates ruling at the year end and all exchange differences arising as a result of such restatement are adjusted to the cost of fixed assets.

Monetary items included under Current liabilities/ assets are restated at the rates ruling at the year end and all exchange gains/losses arising there from 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 is amortised as expense or income over the life of the contract.

Exchange difference 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.

i. Provisions:

Provisions are recognised when the Company 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 Company expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

j. Leases:

Assets acquired under leases where the Company 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 basis

k. Retirement Benefits:

Retirement benefits are paid to the approved funds maintained on behalf of the Company / accrued in the books, as per statutes/ amounts advised by the funds, except for the liability for the encashment of unavailed leave and gratuity which are accrued in the books based on actuarial valuation.

l. 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.

m. Taxes on Income:

Tax on income for the current period is determined on the basis of the Income Tax Act, 1961.

Fringe benefit tax is determined at current applicable rates on expenses falling within the ambit of 'Fringe Benefit' as defined under the Income Tax Act, 1961.

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.

n. Earnings Per Share :

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

2 Capital Commitment:	2007	2006
	Rs.	Rs.
Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided	110,590,961	45,277,492

3 Contingent Liabilities:

Corporate Guarantee given on behalf of JKM Daerim [®] Automotive Limited	90,000,000	90,000,000
---	------------	------------

4 Particulars in respect of class of goods manufactured:

Class of Goods	Unit	Installed Capacity [refer Note (i) below]	Actual Production			
			Pumps	Valves	Castings	Components
Hydraulic Division	Nos.	375,000 (375,000)	336,274 (295,210)	23,084 (12,831)	- -	- -
Foundry Division	MT/Nos.	2,070 MT (1,500) MT	- -	- -	357,594 (347,218)	- -
Other	Nos.	- -	- -	- -	- -	60,859 (28,622)
			336,274 (295,210)	23,084 (12,831)	357,594 (347,218)	60,859 (28,622)

Note:

(i). As certified by the management and accepted by the auditors, this being a technical matter.

(ii). Figures in the brackets are for previous year.

5 Particulars of opening and closing stock and turnover:

Class of goods	Opening stock			Turnover		Closing stock	
	Quantity (Nos.)	Value	Quantity (Nos.)	Value	Quantity (Nos.)	Value	
a. Manufactured							
Hydraulic Gear Pump	14,517 (14,321)	30,341,675 (29,704,591)	336,293 (295,014)	687,316,440 (606,243,800)	14,498 (14,517)	33,873,218 (30,341,675)	
Valves	62 (261)	55,580 (434,580)	22,745 (13,030)	87,734,408 (67,237,613)	401 (62)	561,174 (55,580)	
Castings	4,985 -	4,209,422 -	360,367 (342,233)	330,317,941 (275,317,201)	2,212 (4,985)	841,031 (4,209,422)	
Others	18 (78)	32,362 (267,119)	60,851 (28,682)	155,390,726 (100,678,285)	26 (18)	57,286 (32,362)	
	19,582 (14,660)	34,639,039 (30,406,290)	780,256 (678,959)	1,260,759,515 (1,049,476,899)	17,137 (19,582)	35,332,709 (34,639,039)	
b. Traded							
Seal Kits	- -	- -	26,731 (27,861)	2,576,898 (3,733,046)	- -	- -	
	- -	- -	26,731 (27,861)	2,576,898 (3,733,046)	- -	- -	

Notes:

i) Closing stock is after adjustment for shortage / excess, write-off, etc.

6 Particulars of Purchase of Traded Items:

Class of goods	Quantity (Nos.)	Value Rs.
Seal Kits	26,731 (27,861)	636,136 (1,186,842)

7 Analysis of Raw materials and Components Consumed:			2007		2006	
			Rs.		Rs.	
Particulars	Unit	Quantity	Value	Quantity	Value	
Aluminium Extrusions	MT	427,067	72,649,179	341.76	47,206,238	
Castings	Nos.	2,544,124	96,200,726	2,204,039	88,756,231	
Forgings	Nos.	743,823	43,013,022	719,713	35,839,248	
Components	Nos.	13,593,312	244,828,249	11,825,409	190,290,624	
Aluminium Alloy	MT	1038.3	136,350,273	1,387.85	89,050,854	
			593,041,449		451,143,195	
Whereof:		Value	%	Value	%	
Imported		100,394,717	17	135,183,593	30	
Indigenous		492,646,732	83	315,959,602	70	
			593,041,449	100	451,143,195	100

Notes:

The value of consumption of raw materials and components has been arrived at on the basis of opening stock plus purchases less closing stock. Consumption therefore includes adjustment for shortage/excess, write-off etc.

8 Consumption of Stores and Spare Parts:

	Value	%	Value	%
Imported	833,493	2	1,031,197	3
Indigenous	48,140,992	98	36,046,220	97
	48,974,485	100	37,077,417	100

9 Inter- Corporate Loans Includes:

- Interest free loans to subsidiaries	16,641,061	16,641,061
- Loan to a Company in which one of the Directors is also a Director of that Company	18,500,000	18,500,000
	35,141,061	35,141,061

10 Directors' Remuneration*:

Salary	3,288,346	2,535,149
Contributions to Provident and Other Funds	321,470	259,440
Perquisites (including those calculated as per Income-tax Rules, 1962)	778,443	434,908
	4,388,259	3,229,497

*excluding contribution to Group Gratuity Fund and Provision for Leave Encashment.

11 Auditors' Remuneration*:

(included in Professional and Consultancy Charges in Schedule - 19)

- Audit Fees	1,000,000	400,000
- Others	650,000	500,000
- Reimbursement of out of pocket expenses	-	551
	1,650,000	900,551

*Excluding Service Tax

12 Value of Imports on CIF Basis:

Raw materials including components	72,806,407	63,929,799
Stores and spares	1,178,470	79,256,937
Capital Goods	40,544,367	1,824,900
	114,529,244	145,011,636

13 Expenditure in Foreign Currency:	2007	2006
	Rs.	Rs.
Technical Assistance Charges	3,054,541	2,837,154
Royalty	-	4,001,224
[Net of tax deducted at source Rs. Nil (2006: Rs. 801,314)]		
Others		
- Travel	5,127,921	3,807,951
- Subscription	193,823	201,045
	<u>8,376,285</u>	<u>10,847,374</u>

14 Earnings in Foreign Currency:		
FOB Value of Exports	108,408,526	104,638,990

15 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 under the Income Tax Act, 1961.		
- Expenses allowable for tax purposes when paid	3,273,667	2,002,931
- Provision towards Warranty	222,606	67,320
- Provision towards doubtful debts and advances	2,845,769	1,662,444
- Other Provisions	3,132,280	31,018
	<u>9,474,322</u>	<u>3,763,713</u>

(B) (Less): Deferred Tax Liabilities arising from:

(i) Difference between carrying amount of fixed assets in the financial statements and the Income Tax Return.	(64,577,528)	(40,766,061)
---	---------------------	--------------

Net Deferred Tax Liability (A-B)	<u>(55,103,206)</u>	<u>37,002,348</u>
---	----------------------------	--------------------------

Net Deferred Tax Charge/(Credit) for the year	<u>18,100,858</u>	<u>(5,835,007)</u>
--	--------------------------	---------------------------

Notes:

- The tax impact for the above purpose has been arrived by applying a tax rate of 33.99 % (2006: 33.66 %) being the prevailing tax rate for Indian companies under the Income Tax Act, 1961.

16 The Company's Research and Development (R&D) Centre has been recognised by Department of Scientific and Industrial Research (DSIR), Ministry of Science and Technology (Govt. of India). The following Income and Expenditure, of R&D Centre, has been included under respective heads of accounts in Profit and Loss Account.

Income:

Income From Services	10,873,305	1,075,367
----------------------	-------------------	-----------

Expenditures:

Materials Consumed	589,775	174,326
Expenditure On Employees	1,537,019	2,869,463
Interest	540,000	540,000
Other Expenses	8,229,980	8,204,900
	<u>10,896,774</u>	<u>11,788,689</u>

- 17 a) Names of Small Scale Industrial Undertakings (SSI) to whom amounts are due for more than 30 days as on the Balance Sheet date are as follows:

Anu Engineering Works	Shree Venkateshwara Eng Works
G M Accurate Engineering	Chandrakala Engineering Works
Suja Rubber Industries	Integrated Engineers
Emmkay Tools	Sun Adchem P Ltd
Micron Precision Screws Ltd.	Hindustan Fasteners
Auto Shell Perfect Moulders Ltd	Sri Durga Enterprises
Hindustan Hydro Products	S Precision Industries
Growell CNC	M J Enterprises
Jayashree Horological P Ltd.,	Madhu Enterprises
Mithila Engineering Works	Sri Bhagyalakshmi Engineering
R R Industries	Ovee Enterprises
Trimurthy Cnc	Sri Lakshmi Engineering
Parvath Industries	Hitech Punch -N Pack
Bangalore Standard Keys	V3 Cnc
Sri Banashankari Industries	Micro Machine Tools
Sargam Metals Private Limited	Nagur Forging
Zenith Die Castings	Om Shakti Hydraulics Pvt. Ltd
Prabhat Casting	

- b) This being the first year of applicability, the Company is in the process of compiling the additional information required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006. The management does not envisage any material impact on the financial statement in this regard, which has been relied upon by auditors.

Note:

The above information has been determined to the extent such parties have been identified on the basis of information provided by the Company, which has been relied upon by the auditors.

18. Related Party Disclosure

A Names of related parties and description of relationship

- (a) Parties under common control Fellow Subsidiaries and Associate Companies

(i) Subsidiaries	JKM Daerim® Automotive Limited (JDAL) JKM Research Farm Limited (JRFL) JKM Global Pte. Limited (JGPL)
(ii) Companies over which key management personnel and relatives of such personnel are able to exercise significant influence (Associates)	Greenearth Biotechnologies Limited (GBL) Vita Private Limited (VPL) JKM Human Resources Private Limited (JHRPL) JKM Holding Private Limited (JHPL)

- (b) Key Management Personnel

(i) Executive Directors	Udayant Malhoutra, Chief Executive Officer and Managing Director N Rajagopal, Executive Director and Chief Operating Officer (Dynamatic Hydraulics & Dynametal) V Sunder - President and Group Chief Financial Officer
(ii) Non Executive Directors	J K Malhoutra, Chairman Air Chief Marshal S Krishnaswamy (Retd.) Dr. K Aprameyan Vijai Kapur N R Mohanty (upto January 27, 2007) Shanti Ekambaram (From October 30, 2006) B Seshnath (from August 24, 2006)

- | | |
|--------------|--------------------|
| (iii) Others | Pramilla Malhoutra |
|--------------|--------------------|

B. Description of relationship
2007
2006
Rupees

	Related Party	Subsidiaries A(a)(i)	Associates A(a)(ii)	Key Management Personnel A(b)	Subsidiaries A(a)(i)	Associates A(a)(ii)	Key Management Personnel A(b)
i	Sales (incl of all applicable duties and taxes) - JKM Daerim Automotive Limited	354,837,727	-	-	263,795,521	-	-
ii	Other Income Dividend Received - JKM Daerim Automotive Limited Interest - Greenearth Biotechnologies Limited	14,600,000	1,480,000		17,520,000	855,331	
iii	Materials Purchase of Scrap - JKM Daerim Automotive Limited	1,405,911			967,737		
iv	Sale of Fixed Assets Plant and Machinery - JKM Daerim Automotive Limited	6,177,773			-		
v	Purchase of Fixed Assets Vehicles - JKM Daerim Automotive Limited	375,000			-		
vi	Expenses Rent - JKM Research Farm Limited - Vita Private Limited - JKM Holding Private Limited - N Rajagopal - Pramilla Malhoutra Salaries & Wages - JKM Human Resources Private Limited Reimbursements - JKM Daerim Automotive Limited Interest - J K Malhoutra Managerial Remuneration - Udayant Malhoutra - N Rajagopal - V Sunder - B Seshnath Directors sitting Fees - J K Malhoutra - Air Chief Marshal S Krishnaswamy (Retd.) - Dr. K Aprameyan - Vijai Kapur - V Sunder - B Seshnath - N R Mohanty - Shanti Ekambaram - S H Utamsingh	4,200,000	300,000 84,000 8,856,801	240,000 963,099	4,200,000	300,000 84,000 2,803,990	240,000 786,000
vii	Loans Extended during the year - JKM Global Pte Limited - JKM Research Farm Limited - Greenearth Biotechnologies Limited	- -	-		805,000 1,350,530	2,999	
viii	Loans Refunded during the year - Greenearth Biotechnologies Limited					800,000	
ix	Investments made during the year - JKM Global Pte Limited	-				130,550	
x	Contingent Liability Corporate Guarantee Outstanding - JKM Daerim Automotive Limited	90,000,000			90,000,000		

Description of relationship		2007			2006			Rupees
	Related Party	Subsidiaries A(a)(i)	Associates A(a)(ii)	Key Management Personnel A(b)	Subsidiaries A(a)(i)	Associates A(a)(ii)	Key Management Personnel A(b)	
xi	Balances as on March 31, Outstanding Payables - JKM Research Farm Limited - JKM Human Resources Private Limited - J K Malhoutra Outstanding Receivables - JKM Daerim Automotive Limited - Greenearth Biotechnologies Limited - JKM Research Farm Limited - JKM Human Resources Private Limited - Pramilla Malhoutra - N Rajagopal Outstanding Loans Receivables - JKM Research Farm Limited - JKM Global Pte Limited - Greenearth Biotechnologies Limited	799,718 65,307,083 - 16,000,000 641,061	611,797 1,144,632 - 18,500,000	- 800,000 200,000	- 60,237,908 305,563 16,000,000 641,061	- 83,729 469,029	23,528 800,000 200,000	

19 Leasing arrangements

- a) Buildings, 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:

	2007 Rs.	2006 Rs.
Minimum Lease payments		
- Included in Rent (Schedule 19)	10,136,665	9,336,785
There are no contingent rents.		

- 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.

Class of Assets:

Plant and Machinery

- Gross Value	22,199,039	20,923,478
- Accumulated Depreciation	16,516,912	15,692,707
- Depreciation for the year	879,340	868,642

Minimum Lease payments received

- Included in Other Income (Schedule 16)	823,840	868,642
--	---------	---------

20 Provisions

Product Warranty (Note below)
(Schedule 14)

At beginning of the year	200,000	100,000
Add: Provisions made during the year.	454,917	100,000
(Less): Utilised during the year	-	-
At the end of the year.	<u>654,917</u>	<u>200,000</u>

Note: Provision has been made based on management estimation.

- 21 The Company has undertaken a new project (Aerospace- Sukhoi- 30 and helicopter) and all related incidental expenditure incurred has been carried forward as Incidental Expenditure during Construction Period and will be allocated to individual fixed assets on completion of project.

22 The Company is allowed to defer the payment of Sales tax to the extent of Rs 28,605,000, for a period of nine years from August 1, 1998 to July 31, 2007. The sales tax 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. Accordingly, the sales tax of Rs 28,113,931 (2006: Rs 28,105,187) so deferred has been disclosed as Unsecured Loan.

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
Land and Development	13,014,093	12,903,031
Buildings	9,509,673	4,559,220
Electrical Installations	616,781	191,778
	<u>23,140,547</u>	<u>17,654,029</u>

24 The Company publishes standalone financial statements along with the consolidated financial statements in the annual report. In accordance with Accounting Standard 17, Segment Reporting, the Company has disclosed the segment information in the Consolidated Financial Statements.

25 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 of Rs. 15,003,255 with an obligation to export amounting to Rs. 87,406,339 within a period of eight years.

The details of export obligation are as under:

	2007 Rs.	2006 Rs.
EPCG		
Export Obligation at the beginning of the year	-	51,008,557
Add: Export Obligation accrued during the year	120,026,040	846,928
(Less): Exports made during the year	(32,619,701)	(51,855,485)
Export Obligation as at the end of the year	<u>87,406,339</u>	<u>-</u>

26 Earnings Per Share

Net Profit after tax available for equity shares	99,880,743	87,037,518
Basic/Weighted Average number of Equity Shares of Rs.10 each	4,193,560	4,193,560
Basic and Diluted Earnings Per Share (Rs.)	23.82	20.76

27 The cars purchased out of the loan taken from banks and financial Institutions, have been given to certain employees for their use. As per the terms of arrangement the said car will be transferred to the said employees at a price of Rs. 1,80,000 per car after 5 years from the date of purchase. The aforesaid amount will be deducted in 60 monthly equal instalments from their salary. The amount so deducted of Rs.661,817 (2006: Rs.90,000) has been considered as deposits received from employees and included under current liabilities.

28 Subsequent Events:

i) Merger with JKM Daerim® Automotive Limited (JDAL):

The Directors at their board meeting held on June 8, 2007 has approved the scheme of merger of JDAL (a significant subsidiary) with the Company effective April 1, 2007. As per the scheme of merger every shareholder of JDAL will be entitled for equity shares of Dynamatic Technologies Limited in the ratio of 3.5:1. The approvals from Bombay Stock Exchange and the National Stock Exchange in this regard have been received. The Company is in the process of filing application before the Karnataka High Court for direction to convene the general meeting of the members and creditors.

ii) Acquisition of a division of Sauer Danfoss Limited, United Kingdom:
The Company through one of its wholly owned subsidiaries acquired the hydraulic business division (Swindon Unit) of Sauer Danfoss Limited, United Kingdom at a consideration of USD 10 million (equivalent to Rs.400,000,000) on June 15, 2007. The division provides world class manufacturing facility with an excellent laboratory and large amount of intellectual property.

iii) The Company has given Corporate Guarantees to State Bank of India, London in connection with the acquisition of the hydraulic division of Sauer Danfoss Limited, United Kingdom, as mentioned in (ii) above on behalf of JKM Global Pte Limited, (a wholly owned subsidiary of the Company) and Dynamatic Limited, United Kingdom, (the wholly owned subsidiary of JKM Global Pte Limited, Singapore) Rs 132,000,000 (USD 3.30 million) and Rs. 224,000,000 (USD 5.60 million) respectively aggregating to Rs. 356,000,000 (USD 8.90 million).

29 Difference between Unpaid Dividend Liability Account and Unpaid Dividend Bank Account of Rs. 764 represents bank charges deducted by bank from unpaid dividend bank account. The said bank charges have been provided in these Accounts and subsequently paid.

30 Figures for the previous year have been regrouped / rearranged, wherever necessary.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**1. Registration Details**

Registration No : L85110KA1973PLC002308 State Code : 08
 Balance Sheet Date : March 31, 2007

2. Capital raised during the period :
(Amount in Rs. Thousands)

Public issue Nil Rights issue Nil
 Bonus issue Nil Private Placement Nil

3. Position of Mobilisation and Deployment of Funds : (Amount in Rs Thousands)

Total Liabilities 962,724 Total assets 1,300,700
 (Including net deferred tax liability Rs. 55,103)

Source of funds

Paid up Capital 41,936 Secured Loans 459,694
 Reserves and Surplus 296,040 Unsecured Loans 56,908

Application of Funds

Net Fixed Assets 599,190 Investments 78,544
 Net Current Assets 231,948 Miscellaneous Expenditure Nil
 Accumulated Losses Nil

4. Performance of Company :
(Amount in Rs Thousands)

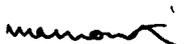
Turnover (including other Income Rs. 45,339) 1,159,768 Total Expenditure 934,057
 Profit/(Loss) Before Tax 145,991 Profit/Loss After Tax (after deferred tax charge of Rs. 18,101) 99,881
 Earning Per Share Rs. 23.82 Dividend Rate % 50%

5. Generic Names of Three Principal Products/ Services of Company (as per monetary terms)

Item Code No 8413.19 8479.10 8481.80
 Product Description Hydraulic Gear Pumps Power Pack Pump Unit Valves
 Services Description

Signatures to Schedules 1 to 22 forming part of the Accounts.


J.K. MALHOUTRA
 Chairman

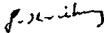

UDAYANT MALHOUTRA
 CEO and Managing Director


VIJAI KAPUR
 Director


V. SUNDER
 President and Group CFO


N. RAJAGOPAL
 Executive Director & COO


Dr. K. APRAMEYAN
 Director


Air Chief Marshal (Retd.) S. KRISHNASWAMY
 Director


N. MURALI
 G M - Finance


G. HARITHA
 Company Secretary

PLACE : BANGALORE
 DATE : 7th AUGUST, 2007

This page has been intentionally left blank



ANNUAL REPORT
2006-07

JKM DAERIM AUTOMOTIVE LIMITED

JKMDAERIM[®]

BOARD OF DIRECTORS

Mr. Udayant Malhoutra	--	Chairman
Mr. Hyo Kyon Lee	--	Vice-Chairman
Mr. J. K. Malhoutra	--	Director
Dr. K. Aprameyan	--	Director
Mr. B. Seshnath	--	Executive Director & Chief Operating Officer

HEAD ACCOUNTS & COSTING AND COMPANY SECRETARY

Mr. M S Shankar

AUDITORS

Price Waterhouse & Co.
Chartered Accountants Bangalore

BANKERS

HDFC Bank
AXIS Bank (formerly known as UTI Bank)
ICICI Bank
Kotak Mahindra Bank

FINANCIAL INSTITUTIONS

Infrastructure Leasing & Financial Services Ltd
GE Capital Services India

REGISTERED OFFICE

Dynamatic Park Peenya Bangalore 560 058

MANUFACTURING FACILITY

JKM Park SIPCOT Irrungattukottai
Sriperumbudur Tamil Nadu 602 105

CORPORATE OFFICE

JKM Daerim House 16 Wallace Garden 1st Street
Chennai 600 006

CONTENTS

Directors' Report to Shareholders	...	JD-1
Corporate Governance Report	...	JD-5
Management's Discussion and Analysis	...	JD-6
Certification by Executive Director & Chief Operating Officer (ED & COO) and VP Finance & Corporate Affairs (CFO) of the Company	...	JD-7
Auditors' Report	...	JD-8
Balance Sheet	...	JD-11
Profit and Loss Account	...	JD-12
Cash Flow Statement	...	JD-13
Schedules to Accounts	...	JD-14
Notes on Accounts	...	JD-19
Balance Sheet Abstract	...	JD-27

DIRECTORS' REPORT TO SHAREHOLDERS

Chairman's Review

Dear Shareholders,

JKM Daerim® Automotive is rapidly transforming into a complete solution provider to its Customers. It has developed a balance between revenue growth and risk mitigation in order to build a strong and sustainable business in the long term.

During the current year, the Company continued to capitalize on the outsourcing boom of the Auto Component Industry and has started making significant inroads into the non-automotive sector, with an aim to de-risk the Business.

The overall sales grew by 23%. The share of Domestic Business increased during the year, on account of the commencement of commercial supplies of Compressor Housings to Honeywell, during the 2nd half of the year.

Despite a steep increase in input costs, time consuming procedural requirements for the localisation of critical parts and rapidly rising interest rates, the Company has been able to maintain a reasonable level of Profit Margin.

Now, I wish to present the Ninth Annual Report for the financial year 2006-2007.

Directors' Report to Shareholders

Your Directors have pleasure in presenting their Ninth Annual Report, together with the Audited Statement of Accounts, for the Year ended 31st March, 2007.

FINANCIAL RESULTS

The Financial Results of the Company's for the Year ended 31st March, 2007 were as follows:

PARTICULARS	(Rs. in Lacs)	
	Year Ended 31.03.2007	Year Ended 31.03.2006
Gross Profit (before interest, depreciation & taxation) (EBITDA)	2,066.20	1,880.91
Interest	287.93	263.30
Depreciation	576.37	518.45
Net Profit/(Loss) Before Taxation	1,201.90	1,099.16
Extraordinary Items	193.18	21.14
Profit Before Taxation and Extraordinary Items	1,008.72	1,078.02
Provision for Current Year Taxation (including FBT + Wealth Tax)	304.62	356.65
Provision for Deferred Tax	59.18	47.03
Net Profit After Tax	644.91	674.34
Profit/(Loss) brought forward from previous year	1,020.40	641.93
Amount available for appropriation	1,665.31	1,316.27
Interim Dividend (Including Tax)	93.60	137.21
Proposed Dividend (Including Tax)	140.40	91.22
Transferred to General Reserve	64.49	67.44
Profit Carried to Balance Sheet	1,366.82	1,020.40

DIVIDEND

Your Directors recommended an Interim Dividend of 10% during March 2007 and further recommend a final dividend of 15%. The total dividend declared is 25% for the year under review.

PERFORMANCE OF YOUR COMPANY

Your Company has posted a Gross turnover of **Rs.19091.41 Lacs** during the year under review, as against Rs.15230.38 Lacs in the previous year, thus posting an impressive growth of **25%**. Further, your Company has generated a Profit Before Tax of **Rs.1201.90 Lacs** during the year under review, as against Rs.1099.16 Lacs last year, an increase of 9%.

EXTRAORDINARY ITEMS

During the year under review, your Company entered into a Non-Compete Agreement with its erstwhile collaborator M/s Daerim Enterprises Co (DEC) which effectively limited them from directly or indirectly competing in Indian Market against products currently produced by your Company. This was especially important as DEC is setting up a wholly owned subsidiary to manufacture cylinder heads for your Company's largest customer M/s Hyundai Motor India Ltd. A consideration of Rs 160 lacs was paid as a one time non-compete fee and the agreement is valid for a period of 4 years.

Your Directors would like to state that the Company had incurred expenditure amounting to Rs 26.77 Lacs on the Tenneco Project. As the Company didn't receive price compensation from the Customer, the project has been shelved.

After considering the above extraordinary items, the Profit after Tax stands at **Rs. 644.91 Lacs** for the year 2006-2007 as compared to 674.34 lacs for the year 2005-2006.

MERGER WITH DYNAMATIC TECHNOLOGIES LTD

Your Directors are pleased to inform you that your Company will be merging with Dynamatic Technologies Ltd, the holding Company. The scheme of merger has been approved by the Board of Directors. The approved swap ratio will be 2 shares of Dynamatic Technologies Ltd., for 7 shares of your Company. The Company is in the process of complying with other legal formalities required for effecting the proposed merger.

HIGHWAY VEHICLES SEGMENT

HYUNDAI MOTOR INDIA (HMIL)

During the year under review, your Directors are pleased to inform you that your Company has fully met the requirements of HMIL. The Company has also successfully developed a full range of parts for their new TBI Engines of the GETZ – PRIME car model.

PA and Kappa Engine: Your Company has completed submission of samples to Epsilon & Kappa Engines and the commercial supplies are expected to commence from the second half of the Financial Year 2007.

TATA MOTORS

During the year under review, the Company's sales to Tata Motors grew by a significant 40%. Your Directors are pleased to inform you that your Company has received a Letter of Intent for the supply of Integrated Oil-and-Water Pump for their Small Car (Rs. 1 Lac car) Project.

FORD

Your Company continued its supply of Oil Pumps to FORD for its South African and Indian Market

requirements. Efforts are being made to tap the requirements of FORD's Brazilian plant as well.

OFF- HIGHWAY VEHICLES SEGMENT

JOHN DEERE

During the year under review, your Company stepped up its supplies of Skid Steering Handles and commenced commercial supplies of a new product called the RAD Cover.

Your Directors are pleased to inform you that JKM Daerim® has received a Letter of Intent for 7 products for the customer's Sweet Spot Project. Development activities for the same have commenced and commercial supplies will commence during the next Financial Year.

CUMMINS

Your Company has received approval for the supply of Water Pumps to the customer's plant in USA. Commercial supplies for the same are expected to begin during the next Financial Year.

Your Directors are pleased to inform you that your Company has received enquiries for further nine models of Water Pumps, which are in advanced stages of finalisation.

TECHNOLOGY SEGMENT

HONEYWELL GARETT

Your Directors are pleased to inform you that your Company has started commercial supplies of Compressor Housings to Honeywell.

Your Company has received further enquiries for various models of Compressor Housings, which are in the evaluation stage.

RESEARCH & DEVELOPMENT

Your Company continued the development of new products for Original Equipment Manufacturers, both in India and abroad.

QUALITY MANAGEMENT SYSTEM

Your Directors take pleasure in informing you that your Company has improved its quality levels and has successfully maintained less than 50 PPM targets with Hyundai. Your Company is working towards achieving 0 PPM in the years to come. Your Company has successfully completed the TS 16949 Surveillance Audit.

NEW INITIATIVES

Your Company has formed a separate Supplier Quality Assurance department, to spearhead the Comprehensive Supplier Development Programme (CSDP) with its suppliers.

Your Company has embarked on a mission to work with all its suppliers, to upgrade their Quality systems and help them in achieving the International Quality Standards.

DIRECTORS

Under section 256 of the Companies Act, 1956, Mr. Udayant Malhoutra & Mr J K Malhoutra retire by rotation and being eligible, offer themselves for re-appointment.

It is proposed to revise the remuneration of Mr. B Seshnath, Executive Director & Chief Operating Officer.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors' Responsibility Statement as required under section 217(2AA) of the Companies (Amendment) Act, 2000.

DIRECTORS HEREBY CONFIRM:

The Financial Statements are prepared in conformity with the Accounting Standards issued by the Institute of Chartered Accountants of India and the requirements of the Companies Act, 1956, to the extent applicable to us; on the historical cost convention; as a going concern and on the accrual basis. There are no material departures from prescribed Accounting Standards in the adoption of the Accounting Standards.

We accept the responsibility for the integrity and objectivity of these Financial Statements. The accounting policies used in the preparation and presentation of the Financial Statements has been consistently applied except as otherwise stated in the notes. The estimates and judgements relating to Financial Statements have been made on prudent and reasonable basis, in order that the Financial Statements reflect a true and fair view and reasonably present our state of affairs and the Profit and Loss account of the Company.

We have taken proper and sufficient care in installing a internal control system and maintenance of adequate records in accordance with the provisions of The Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting frauds as well as other irregularities which is reviewed, evaluated and updated on an ongoing basis and periodically reviewed with the Internal Auditors and Statutory Auditors at the Audit Committee Meeting/s of the Company.

AUDITORS

M/s. Pricewaterhouse & Co., Chartered Accountants, Bangalore, retires at this Annual General Meeting and is eligible for reappointment.

AUDIT COMMITTEE

In compliance with the provisions of section 292-A, Schedule XIII and other applicable provisions,

of the Companies Act 1956, your Company's Audit Committee comprises of the following members:

Mr. Udayant Malhoutra	Chairman
Dr. K. Aprameyan	Member
Mr. B Seshnath	Member

REMUNERATION COMMITTEE

Your Company's Remuneration Committee comprises of the following members:

Mr. Udayant Malhoutra	Chairman
Dr. K. Aprameyan	Member
Mr. B Seshnath	Member

SHARE TRANSFER COMMITTEE

During the year, your Company formed a Share Transfer Committee comprising of the following members:

Mr B Seshnath	Member
Mr M S Shankar	Member

The above committee is empowered to effect valid share transfer forms / transmission, make necessary entries and update the Register of Members.

PARTICULARS OF EMPLOYMENT

During the year under review, relations between the employees and management remained cordial. There are no employees drawing Rs.2,400,000/- or more per annum or Rs.200,000/- or more per month, during the year under review.

Disclosure as per Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

The required particulars are set out in the annexure, forming part of the report.

ACKNOWLEDGMENT

Your Directors would like to express their grateful appreciation for the co-operation received from the Financial Institutions, Banks, Government Authorities, Customers, Vendors, Shareholders and Investors during the year under review. Your Directors also wish to place on record their deep sense of appreciation for the committed services of Executives, Managers Staff and Workers of the Company and look forward their continued support in the future.

By Order of the Board of Directors



PLACE : BANGALORE **UDAYANT MALHOUTRA**
Date : 7th AUGUST, 2007 Chairman

ANNEXURE TO DIRECTORS' REPORT

Statement under section 217(1)(e) read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31st March, 2007

Disclosure of particulars with respect to absorption, adoption and innovation

Research and Development (R & D)

1. Specific areas in which R & D was carried out by the Company:

Development of auto components for new generation automobile manufacturers in India.

2. Benefits derived as a result of the above R & D

All these efforts have led to adding new customers, increase in sales, new product development, improvement, cost reduction and import substitution for the Company, besides benefiting its customers greatly.

3. Future plan of action

The Company plans to increase its efforts in developing new and more economical applications in the above sectors through continuous innovation.

4. Expenditure on R & D

	(Rupees in Lacs)
(a) Capital	Nil

5. Total expenditure as a percentage of turnover

Nil

6. Technology absorption, adoption and innovation:

The Company has received active support from both, Dae Rim Enterprises Company Ltd., and

Dynamatic Technologies Limited, the holding company, in establishing the best global practices in manufacturing high quality auto components.

The Company has established facilities to undertake development of high quality auto components for new customers like Honeywell-Garrett, Cummins etc.

Efforts, in brief, made towards technology absorption, adoption and innovation.

In case of imported technology (imported during last 5 years – reckoned from the beginning of the Financial Year), the following information may be furnished:

Technology imported

a) None of the technology was imported. All the above mentioned products have been developed/ being developed completely indigenously.

b) Year of Import : Not Applicable

c) Has technology been fully absorbed? : Not Applicable

d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action. : Not Applicable

e) Foreign Exchange Earnings and Outgo

During the year under report the Foreign Exchange outgo has been to the extent of Rs. 367,927,894/= (which includes import of Raw Materials to the extent of Rs. 352,419,103/=, Stores and Spares to the extent of Rs. 7,12,128/=, Capital Goods to an extent of Rs. 14,796,663/=, Foreign Travel expense of Rs. 17,49,695/=) while the Foreign Exchange earned is Rs. 7,92,42,336/-.

CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:

JDAL's philosophy on Corporate Governance envisages a combination of business practices that result in the enhancement of the value of the Company to its Shareholders and simultaneously enables the Company to fulfil its obligations to other stakeholders such as Customers, Suppliers, Financiers, Employees, Government and to Society at large. Your Company firmly believes that such practices are founded upon the core values of Transparency, Professionalism, Empowerment, Equity and Accountability. Your Company makes earnest endeavours to uphold and nurture these core values in all facets of its operations and aims to increase and sustain its corporate value, through growth and innovation.

2. BOARD OF DIRECTORS:

Composition of Board:

The Board of Directors consists of 5 members with 1 Executive Director and 4 Non- Executive Directors.

The following is the list of the Directors of the Company:

Mr. Udayant Malhoutra	Chairman
Mr. H K Lee	Vice Chairman
Mr. J. K. Malhoutra	Director
Dr. K. Aprameyan	Director
Mr. B. Seshnath	Executive Director & Chief Operating Officer

Mr. Udayant Malhoutra, Chairman, Mr. H.K. Lee, Vice Chairman, and the Non-Executive Directors of the Company play an important role in maintaining long term harmonious relationships with the Company's key stake holders and in the establishment of guiding principles for overall strategic management.

The day to day management of the Company is conducted by Mr. B Seshnath, Executive Director & Chief Operating Officer, subject to supervision and control by the Board of Directors of the Company. He is responsible for the achievement of the Annual Business Plan of the Company.

Availability of Information to the Board:

The Board has unencumbered access to all relevant information of the company. At the meetings of the Board, inter alia, the information regularly supplied to the Board includes:

1. Annual operating plans, budgets and updates
2. Compliance with Statutory / regulatory requirements
3. Adoption of quarterly / half yearly / annual results
4. Major accounting provisions and write-offs

5. Minutes of the meetings of the Audit and other committees of the Board

The Company Secretary acts as the Secretary to the Board / Committees.

3. AUDIT COMMITTEE:

The following Directors are the current members of the Audit Committee:

Mr. Udayant Malhoutra
Dr. K. Aprameyan
Mr. B. Seshnath

The Members of the committee possess knowledge of Accounts, Finance, Audit and Legal Matters.

The terms of reference of the Audit Committee, inter alia, include overseeing financial reporting process, disclosure of financial information to ensure that the financial statements are correct, sufficient and credible, and reviewing the annual and quarterly financial statements with management before submission to the Board. It also includes reviewing the adequacy of the internal control systems with the Management, external and internal auditors and taking stock of the Company's financial risk and management policies.

4. REMUNERATION COMMITTEE:

The following Directors are the current members of the Remuneration Committee

Mr. Udayant Malhoutra
Dr. K. Aprameyan
Mr. B Seshnath

The terms of reference of the remuneration committee, inter alia, include determination of compensation package of Executive Directors. The remuneration policy of the Company is broadly based on the following terms:

1. Job Responsibilities
2. Key performance areas of the employees/ Directors
3. Industry Trends
4. Remuneration packages in other comparable industries.

5. SHARE TRANSFER COMMITTEE

During the year, your Company formed a Share Transfer Committee comprising of the following members:

Mr. B. Seshnath
Mr. M. S Shankar

The above committee is empowered to effect valid share transfer forms / transmission, make necessary entries and update the Register of Members.

MANAGEMENT'S DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE AND DEVELOPMENT

The World's top car makers turn to India for the nuts and bolts of their vehicles. Riding this success and capitalizing on the spiraling demand of domestic auto companies, the Indian Automobile Components Industry has emerged as one of India's fastest growing manufacturing sectors and a globally competitive one. The ACMA-Mckinsey Vision 2015 document estimates the potential for the Indian Auto Component Industry to be US\$ 40-45 Billion by 2015. Of this, 50% is expected to come from exports.

In line with the above, the Indian Government's initiatives to this Industry are outlined below:

- Automatic approval for Foreign Equity Investment up to 100% for the manufacture of components.
- Reduction in customs duty on key metallic Raw Material
- Reduction in excise duty on small cars to 16%

OPPORTUNITIES AND THREATS

Exciting times lie ahead for the Indian Automotive Component Industry. Besides, the burgeoning demand from global auto majors, there is also the domestic car industry, which is growing at an eye-catching rate of over 20% driven by a rising consumer base and affordable loans.

Your Company's main thrust is on the Highway vehicle segment which is characterized by high volume and low margins. The Company has received LOI from Tata Motors for the development of Integrated Oil-and-Water Pump for the Small Car project.

To meet the increased demand of HMIL and other customers, the Company has commenced the construction of a new factory adjacent to the existing factory. It is likely to be completed during the IInd quarter of next year. The Company is also in talks with Mahindra-Renault-Nissan, who are setting up a factory in Chennai for manufacture of small cars.

To overcome the relentless pressures from OEMs, the Company has diversified its customer base to pursue Business from the Non-Automotive segment, which is characterized by low volumes and high margins. In line with this strategy, the Company has started commercial supplies of Water Pumps to Cummins. The Company has also received a number of new enquiries from Cummins which are in advanced stages of finalisation.

Similarly, the Company has received LOIs from John Deere for 7 products, the commercial supplies of which will begin during the next Financial Year.

The Company has started commercial supplies of Compressor Housing to Honeywell. The business with Honeywell will grow rapidly in the years to come, with the thrust of the global company to source increasing number of parts from India.

INTERNAL CONTROLS

The Company has well established internal control systems for running its operations. The transactions are processed with the help of an ERP system. During the current year, the Company has migrated into the advanced version of the existing ERP package. The Company has also introduced Bar Coding for inwarding of goods. The Departments are well staffed with experienced and qualified personnel, who play an important role in implementing and monitoring the internal control environment and compliance with statutory requirements. The Company also has a system of training employees on new technologies, on a regular basis. The Company's internal control system is designed to:

- Safeguard the Company's assets and to identify liabilities and manage it;
- To ensure that transactions are properly recorded and authorised;
- To ensure maintenance of proper records and processes that generate a flow of timely, relevant and reliable information, and
- To ensure compliance with applicable laws and regulations.

The Internal Audit is conducted by an independent firm of Chartered Accountants.

The Audit Committee addresses all significant issues raised by the Internal and Statutory Auditors and the Management of JDAL duly considers and takes appropriate action on recommendations made by the Statutory Auditors, Internal Auditors and the Audit Committee.

DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE.

Your Company has posted a Gross turnover of Rs.19091.41 Lacs during the year under review as against a Gross turnover of Rs.15230.38 Lacs in the previous year, thus posting an impressive growth of 25%. Further, your Company has generated a Profit Before Tax of **Rs.1201.90 Lacs** during the year under review as against Rs.1099.16 lacs last year, an increase of 9%.

Your Company has also earned a Net Profit of **Rs. 644.91 Lacs** (as against Rs.674.34 lacs in 2005-06)

after providing for normal taxes Rs 304.62 lacs and Provision for Deferred Tax Rs 59.18 lacs during the year under review.

During the year under review, the Company declared an Interim Dividend of 10% and a final dividend of 15%. The total dividend declared for the year is 25%.

Material Developments in Human Resources/ Industrial Relations Front, including number of people employed.

Your Company has over 290 employees on its rolls including Management Graduates, Chartered Accountants, Company Secretaries, Engineers,

Diploma Holders and ITI's. The work force is very young, vibrant and open to new challenges. All the key managers have been trained at Daerim Enterprises Ltd., Korea in the various facets of manufacturing technology & processes, quality systems, planning processes, etc.

By Order of the Board of Directors



UDAYANT MALHOUTRA

Chairman

PLACE : BANGALORE

Date : 7th AUGUST, 2007

CERTIFICATION BY EXECUTIVE DIRECTOR & CHIEF OPERATING OFFICER (ED & COO) AND VP-FINANCE & CORPORATE AFFAIRS (CFO) OF THE COMPANY

We, B. SESHNATH, Executive Director and Chief Operating Officer and K. R. SRINIVASAN, VP-Finance, and Corporate Affairs of JKM Daerim[®] Automotive Limited, to the best of our knowledge and belief, certify that:

- a. We have reviewed the Balance sheet and Profit and Loss Account (JKM Daerim[®] Automotive Limited), and all its schedules and notes on accounts, as well as the Cash Flow Statements and the Director's Report;

Based on our knowledge and information, these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

To the best of our knowledge and belief, the financial statements and other information included in this report, present a true and fair view of the Company's affairs and are in compliance with existing Accounting Standards as issued by the Institute of Chartered Accountants of India, and /or applicable laws and regulations;

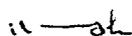
- b. To the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct.
- c. We are responsible for establishing and maintaining internal controls for Financial Reporting of the Company regularly evaluating the effectiveness of internal control systems of the Company pertaining to Financial Reporting and disclosure to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any.
- d. The Company's respective functional heads and we have disclosed, wherever applicable, to the

Company's Auditors and the Audit Committee of the Company's Board of Directors :

- All significant deficiencies in the design or operation of internal controls, which could adversely effect the Company's ability to record, process, summarize and report financial data and have evaluated the effectiveness of internal control systems of the Company in consultation with the statutory and internal auditors of the Company.
- We have indicated to the Auditors and Audit committee significant changes in internal control over Financial Reporting during the year, significant changes in Accounting Policies during the year and the same have been disclosed in notes to Financial Statements;

We further confirm that the Company has framed a specific Code of Conduct for the members of the Board of Directors and Senior Management personnel of the Company.

All the members of the Board and Senior management personnel of the Company have affirmed due observance of the said Code in so far as it is applicable to them and there is no non-compliance thereof during the year ended 31st March, 2007.



B. SESHNATH
Executive Director
& Chief Operating Officer

PLACE : BANGALORE
DATE : 7th AUGUST, 2007



K. R. SRINIVASAN
VP-Finance
& Corporate Affairs

AUDITORS' REPORT TO THE MEMBERS OF JKM DAERIM® AUTOMOTIVE LIMITED

1. We have audited the attached Balance Sheet of JKM DAERIM® AUTOMOTIVE LIMITED as at March 31, 2007, related Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto, all of which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, (together the Order) issued by the Central Government of India in terms of Section 227 (4A) of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we set out in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - 4.1 We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - 4.2 In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - 4.3 The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - 4.4 In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report have been prepared in compliance with the applicable accounting standards referred to in Section 211(3C) of the Act;
 - 4.5 On the basis of written representations received from the directors, as on March 31, 2007, and taken on record by the Board of Directors, none of the directors are disqualified as on March 31, 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act on the said date;
 - 4.6 In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with notes thereon and attached thereto, give, in the prescribed manner, the information required by the Act, and also give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2007,
 - b) in the case of the Profit and Loss Account, of the profit for the year ended on that date and
 - c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.



S. Dutta

Partner

Membership No.: F50081

For and on behalf of

Price Waterhouse & Co

Chartered Accountants

PLACE : BANGALORE
DATE : 7th AUGUST, 2007

Annexure to the Auditors' Report referred to in paragraph 3 of our report of even date

- (i) (a) The Company is maintaining proper records to show full particulars including quantitative details and situation of its fixed assets.
- (b) The fixed assets are physically verified by the management according to a phased programme designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed.
- (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year.
- (ii) (a) The inventory including inventory with third parties has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
- (iii) (a) The Company has not granted any loans, secured or unsecured, to Companies, firms or other parties listed in the register maintained under Section 301 of the Act and accordingly clauses iii (b), (c) and (d) of paragraph 4 of the Order are not applicable.
- (b) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act and accordingly clauses iii (f) and (g) of the Order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items purchased are of special nature for which suitable alternative sources do not exist for obtaining comparative quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system of the aforesaid areas.
- (v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements that are required to be entered in the register in pursuance of Section 301 of Act have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees Five Lakhs in respect of a party during the year are of special nature for which suitable alternative sources do not exist for obtaining comparative quotation.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company in respect of products where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Act and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
- (ix) (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing the undisputed statutory dues

including provident fund, investor education and protection fund, employees 'state insurance, income-tax, sales-tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities.

- (b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of income tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess which have not been deposited on account of any dispute.
- (x) The Company has no accumulated losses as at March 31, 2007 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
- (xi) According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
- (xiv) In our opinion and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purpose for which they were obtained.
- (xv) On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.

(xvi) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

(xvii) The other clauses (xiii), (xiv), (xviii), (xix) and (xx) of paragraph 4 of the Companies (Auditor's Report) Order 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, are not applicable in the case of the company for the current year, since in our opinion there is no matter which arises to be reported in the aforesaid order.



S. Dutta

Partner

Membership No.: F50081

For and on behalf of

Price Waterhouse & Co

Chartered Accountants

PLACE : BANGALORE

DATE : 7th AUGUST, 2007

BALANCE SHEET AS AT 31ST MARCH, 2007

SOURCES OF FUNDS	Schedule	2007 Rs.	2006 Rs.
Shareholders Fund			
Capital	1	80,000,000	80,000,000
Reserves and Surplus	2	153,825,523	112,734,522
Loan Funds			
Secured Loans	3	306,243,100	215,274,129
Unsecured Loans	4	16,259,288	11,434,372
Deferred tax			
Deferred tax liabilities [Schedule 20 Note 16(ii)]		52,881,370	46,963,340
		609,209,281	466,406,363
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	784,573,299	630,208,289
Less: Depreciation		268,731,253	214,858,862
Net Block		515,842,046	415,349,427
Capital Work-in-Progress		59,717,193	39,005,573
		575,559,239	454,355,000
Current Assets, Loans and Advances			
Inventories	6	134,915,061	108,440,896
Sundry Debtors	7	235,972,630	194,472,335
Cash and Bank Balances	8	9,410,383	15,161,521
Other Current Assets	9	4,676,316	3,676,973
Loans and Advances	10	40,060,696	26,545,684
		425,035,086	348,297,409
Less: Current Liabilities and Provisions			
Liabilities	11	364,429,569	323,745,362
Provisions	12	26,997,949	12,571,472
		391,427,518	336,316,834
Net Current Assets		33,607,568	11,980,575
Miscellaneous Expenditure	13	42,474	70,788
(to the extent not written off or adjusted)		609,209,281	466,406,363
Notes on Accounts	20		

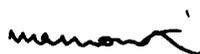
The schedules referred to above and the notes thereon form an integral part of the accounts.

This is the Balance Sheet referred to in our report of even date.

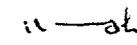


S. Dutta
Partner
For and on behalf of
PRICE WATERHOUSE & CO.
Chartered Accountants

PLACE : BANGALORE
DATE : 7th AUGUST, 2007



UDAYANT MALHOUTRA
Chairman

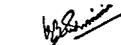


B. SESHNATH
Executive Director & COO

PLACE : BANGALORE
DATE : 7th AUGUST, 2007



DR. K. APRAMEYAN
Director

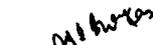


K. R. SRINIVASAN
VP-Finance &
Corporate Affairs

PLACE : BANGALORE
DATE : 7th AUGUST, 2007



J. K. MALHOUTRA
Director



M. S. SHANKAR
Company Secretary

PLACE : BANGALORE
DATE : 7th AUGUST, 2007

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

		2007 Rs.	2006 Rs.
INCOME	<i>Schedule</i>		
Sales (Gross)	14	1,909,140,998	1,523,038,803
Less: Excise duty included therein		<u>352,075,181</u>	<u>255,825,850</u>
Sales (Net)		1,557,065,817	1,267,212,953
Other Income	15	<u>20,781,162</u>	<u>12,248,559</u>
		<u>1,577,846,979</u>	<u>1,279,461,512</u>
EXPENDITURE			
Cost of Materials	16	1,163,144,138	919,420,863
Expenditure on Employees	17	81,418,011	64,975,908
Other Operating Expenses	18	<u>126,664,671</u>	<u>106,973,435</u>
		<u>1,371,226,820</u>	<u>1,091,370,206</u>
Operating Profit before Depreciation and Interest		<u>206,620,159</u>	<u>188,091,306</u>
Depreciation		57,637,026	51,845,380
Interest	19	<u>28,792,950</u>	<u>26,330,243</u>
Profit before Taxation and Extraordinary items		<u>120,190,183</u>	<u>109,915,683</u>
Extraordinary items: (Schedule 20 Note 25)		<u>19,318,174</u>	<u>2,114,233</u>
Profit before taxation		<u>100,872,009</u>	<u>107,801,450</u>
Provision for Taxation			
Income Tax			
- Current [Schedule 20 Note 16(i)]		29,006,424	34,014,538
- Deferred [Schedule 20 Note 16(ii)]		5,918,030	4,703,245
- Fringe Benefit Tax		1,335,000	1,650,000
Wealth Tax [Including Provision pertaining to earlier Year Rs.64,309 (2006:Rs.Nil)]		<u>121,554</u>	<u>-</u>
Profit after Taxation		<u>64,491,001</u>	<u>67,433,667</u>
Profit brought forward from previous year		<u>102,039,816</u>	<u>64,192,916</u>
Profit Available for appropriation		<u>166,530,817</u>	<u>131,626,583</u>
Appropriations			
Dividend:			
- Interim		8,000,000	12,000,000
- Proposed Final		12,000,000	8,000,000
- Tax thereon		3,400,000	2,843,400
Transferred to General Reserve		6,449,100	6,743,367
Profit Carried to Balance Sheet		<u>136,681,717</u>	<u>102,039,816</u>
		<u>166,530,817</u>	<u>131,626,583</u>
Earning per Share - Basic and Diluted [Schedule 20 Note 23]			
- Before Extraordinary Items		9.66	8.69
- After Extraordinary Items		8.06	8.43

Notes on Accounts 20

The schedules referred to above and the notes thereon form an integral part of the accounts.

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



S. Dutta

Partner

For and on behalf of

PRICE WATERHOUSE & CO.

Chartered Accountants

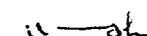
PLACE : BANGALORE

DATE : 7th AUGUST, 2007



UDAYANT MALHOUTRA

Chairman



B. SESHNATH

Executive Director & COO

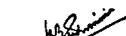
PLACE : BANGALORE

DATE : 7th AUGUST, 2007



DR. K. APRAMEYAN

Director



K. R. SRINIVASAN

VP-Finance &
Corporate Affairs



J. K. MALHOUTRA

Director



M. S. SHANKAR

Company Secretary

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

	2007 Rs.	2006 Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net profit/(loss) before tax and Extraordinary items	120,190,183	109,915,683
Adjustments for :		
Depreciation	57,637,026	51,845,380
Unrealised Foreign Exchange Loss/(Gain)	(3,654,186)	2,892,997
Miscellaneous Expenses written off	28,316	488,316
Loss/(Gain) on Sale of Fixed Assets (Net)	207,165	-
Provision for warranty	200,000	429,000
Liabilities no longer required written back	(114,632)	-
Provision - Others	936,076	193,674
Interest Expense	28,792,950	26,330,243
Interest Income	(892,098)	(1,023,467)
Operating profit before working capital changes	<u>203,330,800</u>	<u>191,071,826</u>
(Increase)/decrease in Trade and other receivables	(50,369,224)	(43,978,920)
(Increase)/decrease in Inventories	(26,474,165)	(3,169,573)
Increase/(decrease) in Trade payables	<u>37,675,183</u>	<u>73,392,993</u>
Cash generated from operations	<u>164,162,594</u>	<u>217,316,326</u>
Direct taxes paid	<u>(36,931,513)</u>	<u>(35,781,006)</u>
Cash flow before extraordinary items	<u>127,231,081</u>	<u>181,535,320</u>
Extraordinary items	<u>(19,318,174)</u>	<u>(2,114,233)</u>
Cash flow after extraordinary items and net cash from operating activities	<u>107,912,907</u>	<u>179,421,087</u>
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(172,004,270)	(68,738,883)
Interest received	892,098	1,372,169
Sale of fixed assets	47,195	-
Net cash used in investing activities	<u>(171,064,977)</u>	<u>(67,366,714)</u>
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds/(Repayment) of long term loans	75,340,819	(47,799,332)
Proceeds/(Repayment) from cash credits	20,453,068	(17,477,721)
Interest paid	(29,270,955)	(25,581,306)
Dividends paid	(8,000,000)	(16,000,000)
Tax on distributed profit	(1,122,000)	(2,244,200)
Net cash used in financing activities	<u>57,400,932</u>	<u>(109,102,559)</u>
Net increase in cash and cash equivalents	<u>(5,751,138)</u>	<u>2,951,814</u>
Cash and cash equivalents as at March 31, 2006	<u>15,161,521</u>	<u>12,209,707</u>
Cash and cash equivalents as at March 31, 2007	<u>9,410,383</u>	<u>15,161,521</u>
	<u>(5,751,138)</u>	<u>2,951,814</u>

Notes :

- The above Cash Flow Statement has been compiled from and is based on the Balance Sheet as at March 31, 2007 and the related Profit and Loss Account for the year ended on that date.
- The above cash flow statement has been prepared under the indirect method as set out in the Accounting Standard - 3 on cash flow statements issued by The Institute of Chartered Accountants of India and reallocation required for this purpose are as made by the Company
- Previous year's figures have been regrouped wherever necessary in order to confirm to this year's presentation.

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

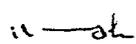
For and on behalf of the Board of Directors


S. Dutta
Partner

For and on behalf of
PRICE WATERHOUSE & CO.
Chartered Accountants

PLACE : BANGALORE
DATE : 7th AUGUST, 2007


UDAYANT MALHOUTRA
Chairman

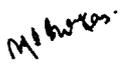

B. SESHNATH
Executive Director & COO

PLACE : BANGALORE
DATE : 7th AUGUST, 2007


DR. K. APRAMEYAN
Director


K. R. SRINIVASAN
VP-Finance &
Corporate Affairs


J. K. MALHOUTRA
Director


M. S. SHANKAR
Company Secretary

SCHEDULES TO ACCOUNTS

	2007 Rs.	2006 Rs.
1 CAPITAL		
Authorised:		
15,000,000 (2006:15,000,000) equity shares of Rs.10/- each	<u>150,000,000</u>	<u>150,000,000</u>
Issued, subscribed and paid up:		
8,000,000 (2006:8,000,000) equity shares of Rs.10/- each	<u>80,000,000</u>	<u>80,000,000</u>
fully paid up	<u>80,000,000</u>	<u>80,000,000</u>
a) Of the above shares		
i) 977,687 (2006:977,687) shares are allotted as fully paid up pursuant to a contract without payments being received in cash.		
ii) 5,839,930 (2006: 5,839,930) shares are held by Dynamatic Technologies Limited, the holding company.		
b) During the year Dae Rim Enterprise Co Limited (Korea) transferred all their equity shares (2,160,000 shares) of the Company to Udayant Malhoutra & Co Pvt Ltd.		
2 RESERVES AND SURPLUS		
General Reserve:		
Balance as on April 1, 2006	10,694,706	3,951,339
Add: Transferred from Profit and Loss Account	<u>6,449,100</u>	<u>6,743,367</u>
	17,143,806	10,694,706
Profit and Loss Account balance	<u>136,681,717</u>	<u>102,039,816</u>
	153,825,523	<u>112,734,522</u>
3 SECURED LOANS		
Term Loan:		
- ICICI Bank (Note 1) [Repayable within one year Rs.6,653,252 (2006: Rs.22,648,928)]	13,306,493	35,955,415
- UTI Bank Ltd (Note 1) [Repayable within one year Rs.9,375,000 (2006:Rs.Nil)]	50,000,000	-
- HDFC Bank Ltd (Note 1) [Repayable within one year Rs.14,285,714(2006: Rs.Nil)]	70,000,000	-
- Infrastructure Leasing & Financial Services Limited (Note 2 & 5) [Repayable within one year Rs.37,187,500 (2006: Rs.21,250,000)]	47,812,500	69,062,500
- GE Capital Services India (Note 2) [Repayable within one year Rs.4,220,004 (2006: Rs.4,220,004)]	10,549,990	14,769,994
- HP loan against purchase of vehicles (Note 3) [Repayable within one year Rs.1,696,075 (2006: Rs.2,143,016)]	2,469,321	3,834,492
- Cash Credit from Banks (Note 4)	112,104,796	91,651,728
	<u>306,243,100</u>	<u>215,274,129</u>
Notes:		
1) Secured by first charge on immovable properties and all movable fixed assets other than certain specific movable fixed assets for which separate charges have been created for specific loans taken as indicated in Notes (2) and (3)below.		
2) Secured by charge on specified movable fixed assets.		
3) Secured by hypothecation of certain vehicles purchased out of the loan.		
4) Secured by first charge on inventory, book debts, and a second charge on all movable fixed assets ranking pari passu amongst the lenders		
5) Guaranteed by Corporate Guarantee given by Dynamatic Technologies Limited, the Holding Company.		
4 UNSECURED LOANS		
Term Loan :		
Interest free Sales tax loan (Schedule 20 Note 18) [Repayable within one year Rs.Nil (2006: Rs.Nil)]	16,259,288	11,434,372
	<u>16,259,288</u>	<u>11,434,372</u>

5 FIXED ASSETS [Schedule 20 Note 1(ii)]

Rupees

	GROSS BLOCK (AT COST)			DEPRECIATION			NET BLOCK			
	2006	Additions	Deletions	2007	2006	Additions	Deletions	2007	2006	2007
Tangible Assets										
Land - Leasehold	11,133,621	-	-	11,133,621	-	-	-	-	11,133,621	
Buildings	64,179,001	4,593,943	-	68,772,944	7,693,054	2,174,053	-	9,867,107	58,905,837	56,485,947
Plant and Machinery (Note 1 and 2)	522,107,282	151,509,224	3,591,886	670,024,620	193,910,691	52,680,493	3,229,624	243,361,560	426,663,060	328,196,591
Computers	6,810,044	558,057	-	7,368,101	3,611,400	1,001,120	-	4,612,520	2,755,581	3,198,644
Office Equipment	4,062,161	926,129	441,217	4,547,073	1,240,141	247,640	295,745	1,192,036	3,355,037	2,822,020
Furniture and Fixtures	7,843,454	564,735	9,314	8,398,875	2,780,039	441,989	986	3,221,042	5,177,833	5,063,415
Motor Vehicles (Note 3)	10,277,449	978,830	723,491	10,532,788	2,346,521	961,768	238,280	3,070,009	7,462,779	7,930,928
Intangible Assets										
Application Software	3,795,277	-	-	3,795,277	3,277,016	129,963	-	3,406,979	388,298	518,261
2006	630,208,289	159,130,918	4,765,908	784,573,299	214,858,862	57,637,026	3,764,635	268,731,253	515,842,046	415,349,427
	596,027,366	34,180,923		630,208,289	163,013,482	51,845,380		214,858,862		
Capital Work-in-Progress [including capital advances Rs.8,035,653 (2006: Rs.3,179,513)]									59,717,193	39,005,573
									575,559,239	454,355,000

Notes:

1. Includes Machinery spares of irregular usage. [Original Cost Rs.4,102,615 (2006: Rs.4,102,615) , Written Down Value Rs.168,007 (2006: Rs 208,822)]
2. Book value of Plant and Machinery is net of Subsidy received from the Tamil Nadu Industrial Investment Corporation Limited Rs.1,877,000 in earlier years.
3. Includes vehicles pending registration in the name of the company.

	2007	2006
	Rs.	Rs.
6 INVENTORIES [Schedule 20 Note 1 (iii)]		
Stores and Spares	30,231,425	25,539,314
Raw Materials and Components [Including In-transit Rs.19,763,448 (2006: Rs.16,626,799)]	88,315,736	68,779,445
Work-in-Progress	3,523,963	3,017,206
Finished Goods	12,843,937	11,104,931
	134,915,061	108,440,896
7 SUNDRY DEBTORS (Unsecured, Considered good)		
Exceeding six months	10,034,373	6,343,117
Other Debts	225,938,257	188,129,218
	235,972,630	194,472,335
8 CASH AND BANK BALANCES		
Cash on hand	152,385	215,386
Balances with Scheduled Banks:		
- Current Accounts	6,893,477	2,946,180
- Deposit Accounts	2,364,521	11,999,955
	9,410,383	15,161,521
9 OTHER CURRENT ASSETS (Unsecured, considered good)		
Balance with Excise Authority	30,596	25,000
Deposits	4,645,720	3,651,973
	4,676,316	3,676,973
10 LOANS AND ADVANCES (Unsecured, considered good)		
Inter Corporate Loan to J.S.Auto Cast Foundry India Pvt Ltd.	5,000,000	5,000,000
Advances recoverable in cash or in kind or for value to be received	29,334,760	21,300,684
Advance payment of Income Tax [net of provision Rs.29,000,000 (2006: Rs.Nil)]	5,460,936	-
Advance payment of Fringe Benefit Tax [net of provision Rs.1,335,000 (2006: Rs.1,650,000)]	265,000	245,000
	40,060,696	26,545,684
11 CURRENT LIABILITIES		
Acceptances	143,762,552	93,079,407
Sundry Creditors		
Dues to Small Scale Industrial Undertakings (Schedule 20 Note 24)	41,069,384	27,966,306
Others	165,821,738	192,985,622
Advance from Customers	-	199,500
Other Liabilities (Schedule 20 Note 26)	12,596,359	7,856,986
Interest Accrued but not due on loans	1,179,536	1,657,541
	364,429,569	323,745,362

	2007	2006
	Rs.	Rs.
12 PROVISIONS		
Gratuity	558,996	780,084
Leave Encashment	1,981,708	824,544
Wealth Tax	57,245	-
Income Tax [Net of Advance tax Rs.Nil (2006: Rs.32,695,443)]	-	1,044,844
Warranty (Schedule 20 Note 21)	1,000,000	800,000
Interim dividend [including tax thereon Rs.1,360,000 (2006: Rs. Nil)]	9,360,000	-
Proposed final dividend [including tax thereon Rs.2,040,000 (2006: 1,122,000)]	14,040,000	9,122,000
	<u>26,997,949</u>	<u>12,571,472</u>
13 MISCELLANEOUS EXPENDITURE [Schedule 20 Note 1(ix)] (to the extent not written off or adjusted)		
Preliminary Expenses	42,474	70,788
	<u>42,474</u>	<u>70,788</u>
14 SALES [Schedule 20 Note 1(v)]		
Sales:		
Automotive Components	1,903,141,046	1,523,038,803
Tools	5,999,952	-
	<u>1,909,140,998</u>	<u>1,523,038,803</u>
15 OTHER INCOME		
Interest		
- from Banks (Gross)[Tax Deducted at Source: Rs.99,093 (2006:Rs.129,525)]	892,098	1,023,467
Sale of Scrap [Net of excise duty Rs.2,890,168 (2006: Rs.1,772,373)]	17,589,323	10,860,126
Liability written back	114,632	-
Exchange Gain	2,164,956	-
Miscellaneous Income	20,153	364,966
	<u>20,781,162</u>	<u>12,248,559</u>
16 COST OF MATERIALS		
Raw Materials and Components Consumed*	1,165,821,570	918,860,599
Movements in Stocks:		
Opening Stock:		
Finished Goods	11,104,931	6,845,967
Work-in-Progress	3,017,206	7,166,792
	<u>14,122,137</u>	<u>14,012,759</u>
Closing Stock:		
Finished Goods	12,843,937	11,104,931
Work-in-Progress	3,523,963	3,017,206
	<u>16,367,900</u>	<u>14,122,137</u>
(Increase) / Decrease	(2,245,763)	(109,378)
Excise Duty on Opening stock of Finished Goods	1,726,130	1,056,488
Excise Duty on Closing stock of Finished Goods	1,294,461	1,726,130
Increase / (Decrease)	(431,669)	669,642
	<u>1,163,144,138</u>	<u>919,420,863</u>

* Including adjustment for shortage/excess, write off etc.

	2007	2006
	Rs.	Rs.
17 EXPENDITURE ON EMPLOYEES		
Salaries, Wages, Allowances, etc.(Note 1 below)	60,013,337	48,636,784
Contribution to Provident and Other Funds (Note 2 below)	4,587,979	3,933,534
Staff Welfare	16,816,695	12,405,590
	81,418,011	64,975,908
Notes:		
1. Including provision for leave encashment Rs.1,779,711 (2006 :Rs.63,660).		
2. Including provision for gratuity Rs.558,996 (2006:Rs.780,084)		
18 OTHER OPERATING EXPENSES		
Rent (Schedule 20 Note 15)	390,950	370,045
Rates and Taxes	551,402	393,922
Insurance	1,403,742	1,089,196
Stores and Spares Consumed	54,268,957	42,517,803
Power and Fuel	20,483,453	17,243,838
Exchange Loss (Net)	-	627,996
Repairs and Maintenance:		
- Plant and Machinery	2,900,949	1,924,618
- Buildings	884,863	36,250
- Others	9,664,736	6,858,184
Legal and Professional Fees	5,690,572	3,914,326
Communication Expenses	2,268,372	2,169,958
Travelling and Conveyance	11,023,674	13,471,301
Bank Charges	2,552,376	2,305,134
Advertisement and Sales Promotion	920,634	2,270,105
Printing and Stationery	1,763,811	1,502,146
Security Charges	837,508	525,669
Freight and Handling Charges	6,351,264	5,014,403
Loss on sale of Fixed Assets	207,165	-
Warranty Claim [Including provision Rs.1,499,926 (2006: Rs.1,501,344)]	1,530,770	1,501,344
Miscellaneous Expenditure written off	28,316	488,316
Miscellaneous Expenses	2,941,157	2,748,881
	126,664,671	106,973,435
19 INTEREST		
Fixed Loans	11,124,450	13,036,949
Others	17,668,500	13,293,294
	28,792,950	26,330,243

20 NOTES ON ACCOUNTS

1. STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES

(i) METHOD OF ACCOUNTING

The accounts have been prepared under the historical cost convention and on an accrual basis.

(ii) FIXED ASSETS AND DEPRECIATION

Fixed Assets:

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

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

Depreciation:

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

Particulars of Fixed Assets	Rates of Depreciation
Plant and Machinery:	
- Machinery spares of irregular usage	20%
Office Equipment	
- Mobile Phones	50%
Computers	
- Lap Tops	33.33%

Land has been acquired on lease for a period of ninety nine years, with an option for renewal over a further period of ninety nine years. The cost of land is, however, not being amortised over the lease period.

Impairment:

At each Balance Sheet date the Company assesses whether there is any indication that an asset may be impaired. If any such indication exists the Company 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 the recoverable amount.

(iii) INVENTORIES

Inventories are valued at lower of cost or net realisable value. Costs are generally determined on first in first out (FIFO) method.

Stores and Spares include:

- Material handling equipments which are amortised over their estimated useful lives.
- Tools which are expensed off on issue

(iv) FOREIGN CURRENCY TRANSACTIONS

- Foreign Currency transactions are recorded in the books at the rate of exchange prevailing on the date of such transactions.
- Foreign Currency liabilities pertaining to the acquisition of fixed assets from a country outside India are restated at the rates prevailing at the year end or at the forward contract rates, as may be applicable and resultant differences arising out of such restatement are adjusted to the cost of fixed assets.
- The monetary items included under Current Liabilities and Current assets are restated at the rates prevailing at the year end and the differences arising from such restatement are adjusted to Profit and Loss Account except for forward contracts where the premium or discount arising at the inception of such forward exchange contract is amortised as expenses or income over the life of such contract.
- Exchange differences on forward contracts are recognised in the Profit and Loss Account in the reporting period in which the exchange rate changes. Any profit or loss arising on cancellation or renewal of such forward contracts is recognised as income or expense for the year.

(v) REVENUE RECOGNITION AND PRODUCT WARRANTY

Sales are recognised on despatch to customers and are inclusive of excise duty but exclude sales tax. Expenses on product warranty is provided on an estimated basis.

(vi) RETIREMENT BENEFITS

Retirement benefits are paid to the approved funds maintained on behalf of the Company / accrued in the books, as per statutes/ amounts advised by the funds, except for liability for leave encashment which is accounted for based on actuarial valuation.

(vii) ACCOUNTING OF SUBSIDIES

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

(viii) TAXES ON INCOME

Tax on income for the current year is determined on the basis of the Income Tax Act, 1961.

Fringe Benefit Tax has been determined at current applicable rates on expenses falling within the ambit of "Fringe Benefit" as defined under the Income Tax Act, 1961.

Deferred tax is recognised subject to consideration of prudence, on timing differences, being the difference between the taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. 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 realised except for carried forward business loss and unabsorbed depreciation, where deferred tax assets are recognised to the extent that there is virtual certainty supported by convincing evidence.

(ix) MISCELLANEOUS EXPENDITURE

Preliminary expenses incurred within March 31, 1998 are amortised over a period of ten years from the date of commercial production.

Deferred Revenue Expenditure incurred within March 31, 2003 is written off over a period of three to five years.

(x) EARNINGS PER SHARE

Earnings (basic and diluted) per equity share is arrived at based on Net Profit/(Loss) after taxation before extraordinary items to the basic/weighted average number of equity shares.

(xi) PROVISIONS

Provisions are recognised when the Company 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 amount can be made. Provisions are reviewed regularly and are adjusted where necessary to reflect the current best estimates of the obligation. Where the Company expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

	2007	2006
2. Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for	19,963,055	20,850,543
3. Contingent liabilities	-	-
4. The Company received a favourable order from the Customs, Excise and Service tax Appellate Tribunal against additional customs duty demanded for import of certain material from group companies. Necessary application has been made to the appropriate authority for the refund of an aggregate amount of Rs.721,408 (2006: Rs.721,408) which is included under 'Loans and Advances'[Rs.721,408 (2006: Rs.721,408)]		

5. Particulars in respect of goods manufactured.

Class of goods	Unit	Licensed capacity [Note (i) below]	Installed capacity [Note (ii) below]	Production [Note (iii) below]
Automotive components	Nos.	NA	10,223,120 (9,923,636)	5,916,179 (5,497,671)

Notes:

- (i) The Company is exempt from the licensing provisions of the Industries (Development Regulation) Act, 1951.
- (ii) The Installed capacity has been certified by the management and relied upon by the Auditors, this being a technical matter.
- (iii) Excludes production tools 6,798,100 nos. (2006 - Nil) processed from third party processors.
- (iv) Figures in brackets relate to previous year.

6. Particulars of stocks and turnover of automotive components manufactured:

Class of goods	Opening stock		Turnover		Closing stock	
	Quantity (Nos.)	Value Rs.	Quantity (Nos.)	Value Rs.	Quantity (Nos.)	Value Rs.
Automotive Components						
Case Front	3,178 (1,325)	1,960,067 (533,041)	521,682 (470,480)	240,584,547 (222,211,091)	12,241 (3,178)	5,592,783 (1,960,067)
Water pump	3,631 (2,515)	1,302,454 (943,283)	410,904 (329,873)	170,636,469 (149,715,893)	1,137 (3,631)	488,080 (1,302,454)
Intake manifold	1,645 (813)	2,128,549 (1,098,440)	280,504 (239,233)	436,661,928 (335,566,377)	452 (1,645)	583,761 (2,128,549)
Rocker cover	1,523 (633)	661,063 (236,296)	261,319 (210,026)	135,635,950 (107,950,895)	855 (1,523)	323,142 (661,063)
Exhaust manifold	565 (1,562)	626,726 (1,077,282)	257,126 (218,201)	409,847,809 (333,425,603)	436 (565)	411,963 (626,726)
Rocker arm - A & B	46,804 (22,514)	3,721,713 (1,189,857)	2,329,113 (1,830,855)	218,843,054 (185,083,921)	6,974 (46,804)	570,844 (3,721,713)
Others [Note (i) and (ii) below]	18,685 (26,718)	704,359 (1,767,768)	7,246,016 (2,179,052)	296,931,241 (189,085,023)	1,461,551 (18,685)	4,873,364 (704,359)
	76,031 (56,080)	11,104,931 (6,845,967)	11,306,664 (5,477,720)	1,909,140,998 (1,523,038,803)	1,483,646 (76,031)	12,843,937 (11,104,931)

Notes:

- (i) Includes sale of tools of Rs.5,999,952 (2006 - Rs.Nil).
- (ii) The individual values of these do not exceed 10% of turnover.
- (iii) Figures in brackets relate to previous period.

	2007		2006		
	Quantity (Nos.)	Value Rs.	Quantity (Nos.)	Value Rs.	
7. Analysis of Raw materials and Components Consumed:					
Raw material and Components					
Castings	7,320,237	701,829,140	5,236,005	563,215,870	
Others		463,992,430		355,644,729	
		<u>1,165,821,570</u>		<u>918,860,599</u>	
Whereof:					
Imported		460,324,560	39%	342,950,231	37%
Indigenous		705,497,010	61%	575,910,368	63%
		<u>1,165,821,570</u>	<u>100%</u>	<u>918,860,599</u>	<u>100%</u>
8. Analysis of Stores and Spare Parts Consumed:					
Imported		1,133,822	2%	1,776,847	4%
Indigenous		53,135,135	98%	40,740,956	96%
		<u>54,268,957</u>	<u>100%</u>	<u>42,517,803</u>	<u>100%</u>
9. Value of imports on CIF basis:					
Raw materials and components		352,419,103		314,306,351	
Capital Goods		14,796,663		2,413,097	
Stores and Spares		712,128		618,546	
		<u>367,927,894</u>		<u>317,337,994</u>	
10. Expenditure in foreign currency					
Travel		1,749,695		3,883,621	
11. Earnings in Foreign Exchange					
FOB value of Exports		79,242,336		77,900,022	
12. Dividend remitted in Foreign Currency					
(i) Number of non-resident shareholder		1		1	
(ii) Number of shares on which dividend paid		2,160,000		2,160,000	
(iii) Details of remittance					
- 2005 Final		-		1,080,000	
- 2006 Interim		-		3,240,000	
- 2006 Final		2,160,000		-	
13. Managerial Remuneration					
Executive Directors' remuneration (excluding contribution to group gratuity fund and provision for leave encashment)					
Salaries		1,161,556		1,061,200	
Contribution to Provident and Other Funds		157,669		93,600	
Other benefits [including those valued as per Income Tax Rules]		164,710		206,000	
		<u>1,483,935</u>		<u>1,360,800</u>	

14. Auditors' Remuneration included under	2007	2006
Legal and Professional Fees *		
Audit Fees	1,400,000	900,000
Tax Audit Fees	100,000	100,000
Other Matters	200,000	60,000
Reimbursement of Out-of-pocket Expenses	49,382	40,213
	<u>1,749,382</u>	<u>1,100,213</u>

* excluding Service Tax

15. Leasing arrangements

- a) Buildings (including those for employee residences) are taken on operating lease. Such leases are generally for a period of 11 to 36 months with options of renewal against increased rent and premature termination of agreement through notice period of 3 months.
- b) Lease payments included under rent expenses in Schedule 18:

	2007	2006
Minimum lease payments	390,950	315,000
There are no contingent rents.		

16. Taxation

i) Provision for Income tax		
- Includes provision for assessment year 2003-04 and	-	514,538
- Net of excess provision written back for assessment year 2005-06	-	(5,444,339)
	<u>-</u>	<u>(4,929,801)</u>
ii) The net Deferred Tax Liability as on March 31,2006		
A) Deferred Tax Liabilities arising from:		
i) Differences between carrying amount of fixed assets in the financial statements and the Income tax Return	53,880,610	48,073,106
ii) Differences in carrying amount of Preliminary expenses in the financial statements and the Income Tax Return	14,439	23,828
	<u>53,895,049</u>	<u>48,096,934</u>
B) Deferred Tax Asset arising from:		
i) Expenses allowable for tax purposes when paid	1,013,679	1,133,594
	<u>1,013,679</u>	<u>1,133,594</u>
Net deferred tax liabilities (A)-(B)	52,881,370	46,963,340
Accounted as:		
Deferred tax charge for the year	<u>5,918,030</u>	<u>4,703,245</u>

The tax impact for the above purpose has been arrived by applying a tax rate of 34% (2006: 33.66%) being the prevailing tax rate for Indian Companies under the Income Tax Act, 1961.

17. Related Party Disclosures

A) Summary of the transactions with related parties is as follows:

	Holding Company [B(a)(i)]		Party having substantial interest [B(a)(ii)]		Key Management Personnel [B(b)]		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
i. Purchase of Fixed Assets	6,177,773	1,099,643	-	-	-	-	6,177,773	1,099,643
ii. Other Income								
Scrap sales	972,729	273,623	-	-	-	-	972,729	273,623
Other sales	808,182	694,114	-	-	-	-	808,182	694,114
iii. Materials								
Purchase of Raw materials:								
Components	354,837,727	261,767,528	-	-	-	-	354,837,727	261,767,528
Tool Cost	-	928,350	-	-	-	-	-	928,350
iv. Expenses								
Managerial Remuneration								
- V Sunder					744,393	1,360,800	744,393	1,360,800
- B Seshnath					739,542		739,542	
Directors Sitting fees								
- Jayant Kumar Malhoutra						5,000		5,000
- Udayant Malhoutra, Chairman					35,000	15,000	35,000	15,000
- Hyo Kyon Lee, Vice Chairman					5,000	10,000	5,000	10,000
- K Aprameyan					30,000	10,000	30,000	10,000
v. Dividend								
- Dynamic Technologies Limited	14,600,000	14,600,000					14,600,000	14,600,000
- DaeRim Enterprises Co Limited, Korea				5,400,000				5,400,000
- Udayant Malhoutra & Co Pvt Company			5,400,000				5,400,000	
vi. Reimbursement of Expenses								
vii. Non Compete Fee								
- DaeRim Enterprises Co Limited, Korea	3,515,222	2,288,265					3,515,222	2,288,265
viii. Balance outstanding at the year end Outstanding Payables								
- Dynamic Technologies Limited	65,307,083	60,237,908					65,307,083	60,237,908
- DaeRim Enterprises Co Limited, Korea				2,160,000				2,160,000
- Udayant Malhoutra & Co Pvt Company			5,400,000				5,400,000	

B) Names of related parties and description of relationship:

<p>a) Parties where control exists:</p> <p>(i) Holding Company</p> <p>(ii) Party having substantial Interest in the Company</p>	<p>Dynamatic Technologies Limited , India</p> <p>DaeRim Enterprises Co Limited, Korea (up to September 15,2006)</p> <p>Udayant Malhoutra & Co Pvt Company (From September 15,2006)</p>
<p>b) Key Management Personnel Directors of the Company</p>	<p>Mr Udayant Malhoutra, Chairman</p> <p>Mr Hyo Kyon Lee, Vice Chairman</p> <p>Mr Jayant Kumar Malhoutra</p> <p>Dr K Aprameyan</p> <p>Mr V Sunder, CEO & Executive Director(Up to August 24,2006)</p> <p>Mr. B Seshnath (From August 24,2006)</p>

Note: The above information has been determined to the extent such parties have been identified on the basis of information provided by the company which has been relied upon by the auditors.

18. The Company, is eligible, vide certificate issued by State Industries Promotion Corporation of Tamil Nadu Ltd. for deferment of Sales tax, for a period of nine years from March 1,1998 to February 28,2007. The tax deferred is in the nature of interest free unsecured loan repayable after the expiry of the deferment period, on a year to year basis. Accordingly, the sales tax of Rs.16,259,288 (2006: 11,434,372) so deferred has been disclosed as Unsecured Loan.

19. The Finance Act 2001 has introduced, with effect from Assessment Year 2002-03, detailed Transfer Pricing Regulations for computing the taxable income from 'International transactions ' between 'associated enterprises ' on an 'arms length basis'.

These regulations, inter alia, also require the maintenance of prescribed documents and information including furnishing a report from an Accountant within the due date of filing the Return of Income. As there are no international transactions with associate Companies, the study of transfer pricing as envisaged under the IT rules is not applicable.

20. 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 of Rs. 55,447,477 with an obligation to export amounting to Rs. 296,123,057 within a period of eight years. The details of export obligation are as under:

a) EPCG	2007	2006
Export Obligation at the beginning of the year	320,837,256	397,014,410
Add : Export Obligation accrued during the year	-	-
Less : Exports made during the year	(24,714,199)	(76,177,154)
Export Obligation as at the year end	<u>296,123,057</u>	<u>320,837,256</u>

21. Provisions

	2007	2006
Product Warranty (Note)		
At beginning of the year	800,000	371,000
Additional provisions made during the year	1,499,926	1,501,344
Charged to income statement	2,299,926	1,872,344
Utilised during the year	1,299,926	1,072,344
At the end of the year	<u>1,000,000</u>	<u>800,000</u>

Note: Warranty provision has been made based on the average of preceding three years warranty claimed.

22. Segmental Reporting

The Company's operations relate only to manufacture and sale of 'Engine and Transmission components', and accordingly, which are used in the automotive industry. Accordingly, primary reporting disclosure for business segment, as envisaged in Accounting Standard 17 on 'Segment Reporting' issued by The Institute of Chartered Accountants of India, is not applicable to the Company.

The Company sells 'Engine and Transmission components' mainly in the domestic market. Accordingly, secondary segment reporting has been confined to sales in India and exports outside India.

Fixed assets used in the Company's Business and liabilities contracted in respect of its sole manufacturing facility, are not identifiable in line with the following reportable segments as the fixed assets and liabilities contracted are used interchangeably between the segments. Accordingly, except for sundry debtors, no disclosures relating to other segment assets and liabilities have been made.

Secondary Segment Reporting:

	India	Outside India	Total
External Sales (Net of returns and including excise duty)	1,829,898,662 (1,445,138,781)	79,242,336 (77,900,022)	1,909,140,998 (1,523,038,803)
Sundry Debtors (gross)	200,405,082 (168,278,137)	35,567,548 (26,194,198)	235,972,630 (194,472,335)

Note: Figures in bracket are in respect of previous year

23. Earning per Share [Refer Note 1(x) above]

	2007	2006
a) Before Extraordinary item:		
Net profit after tax before extraordinary item	77,306,677	69,547,900
Basic/Weighted Average number of Equity Shares of Rs.10 each	8,000,000	8,000,000
Basic and Diluted Earnings/(Loss) Per Share (Rs.)	9.66	8.69
b) After Extraordinary item		
Net profit after tax and extraordinary item	64,491,001	67,433,667
Basic/Weighted Average number of Equity Shares of Rs.10 each	8,000,000	8,000,000
Basic and Diluted Earnings/(Loss) Per Share (Rs.)	8.06	8.43

- 24 (i) There are no Small Scale Industrial (SSI) Undertakings to whom the Company owes a sum which is outstanding for more than thirty days as on March 31, 2007.
- (ii) This being the first year of applicability, the Company is in the process of compiling the additional information required to be disclosed under the Micro, Small and Medium Enterprises (SME) Development Act, 2006.

The above information regarding SSI Undertakings and SME have been determined to the extent such parties have been identified on the basis of information provided by the Company, which has been relied upon by the auditors.

25. Extraordinary Items:

	2007	2006
(i) Capital Work-in-Progress written off [Note (a)]	2,677,395	2,114,233
(ii) Non Compete Fee and related expenses [Note (b)]	16,640,779	-
	19,318,174	2,114,233

- a) Pursuant to negotiation with a foreign customer, the Company 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 remaining related Incidental Expenditure during Construction Period incurred for the discontinued project has been written off during the year as extraordinary item.
- b) The Company has entered into Non-Compete Agreement dated September 15, 2006 with DaeRim Enterprises Co Limited (Korea). As per the terms of the said agreement DaeRim Enterprises 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. This has been considered as allowable expenditure under Section 37(1) of the Income Tax Act.

26. The cars purchased out of the loan taken from Banks and Financial Institutions, have been given to certain employees for their use. As per the terms of arrangement the said car will be transferred to the said employees at a price of Rs. 1,80,000 per car after 5 years from the date of purchase. The aforesaid amount will be deducted in 60 monthly equal instalments from their salary. The amount so deducted of Rs.756,000 (2006: Rs.441,000) has been considered as deposits received from employees and included under current liabilities.

27. Previous year's figures have been rearranged / regrouped wherever necessary.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE.

I. Registration Details

Registration No.	<input type="text" value="08/22429 of 1997"/>	State Code :	<input type="text" value="08"/>
Balance Sheet Date :	<input type="text" value="31-03-2007"/>		
	Date Month Year		

II. Capital Raised during the period (Amount In Rs.'000)

Public Issue	<input type="text" value="-"/>	Rights Issue	<input type="text" value="-"/>
Bonus Issue	<input type="text" value="-"/>	Private Placement	<input type="text" value="-"/>

III. Position of Mobilisation and Deployment of Funds (Amount in Rs.'000)

Total Liabilities (including net deferred tax liability of Rs.52,881)	<input type="text" value="766,811"/>	Total Assets	<input type="text" value="1,000,594"/>
Sources of Funds			
Paid-up Capital	<input type="text" value="80,000"/>	Reserves and Surplus	<input type="text" value="153,826"/>
Secured Loans	<input type="text" value="306,243"/>	Unsecured Loans	<input type="text" value="16,259"/>
Application of Funds			
Net Fixed Assets	<input type="text" value="575,559"/>	Investments	<input type="text" value="Nil"/>
Net Current Assets	<input type="text" value="33,608"/>		
Accumulated Loss	<input type="text" value="-"/>	Misc. Expenditure	<input type="text" value="42"/>

* Includes Capital Work-in-Progress Rs.8,035

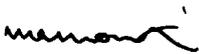
IV. Performance of Company (Amount in Rs.'000)

Turnover (includes Other Income)	<input type="text" value="1,577,847"/>	Total Expenditure	<input type="text" value="1,371,227"/>
Profit/(Loss) before Tax	<input type="text" value="120,190"/>	Profit/(Loss) after Tax	<input type="text" value="64,491"/>
Earnings per share in Rs.	<input type="text" value="8.06"/>	Dividend Rate %	<input type="text" value="25%"/>

V. Generic Names of Three Principal Products / Services of the Company (as per monetary terms)

Item Code No. (ITC Code)	<input type="text" value="870790.01"/>
Product Description	<input type="text" value="Automotive Components"/>

Signatures to Schedules 1 to 20 forming part of the Balance Sheet and Profit and Loss Account



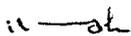
UDAYANT MALHOUTRA
Chairman



DR. K. APRAMEYAN
Director



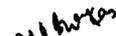
J. K. MALHOUTRA
Director



B. SESHNATH
Executive Director & COO



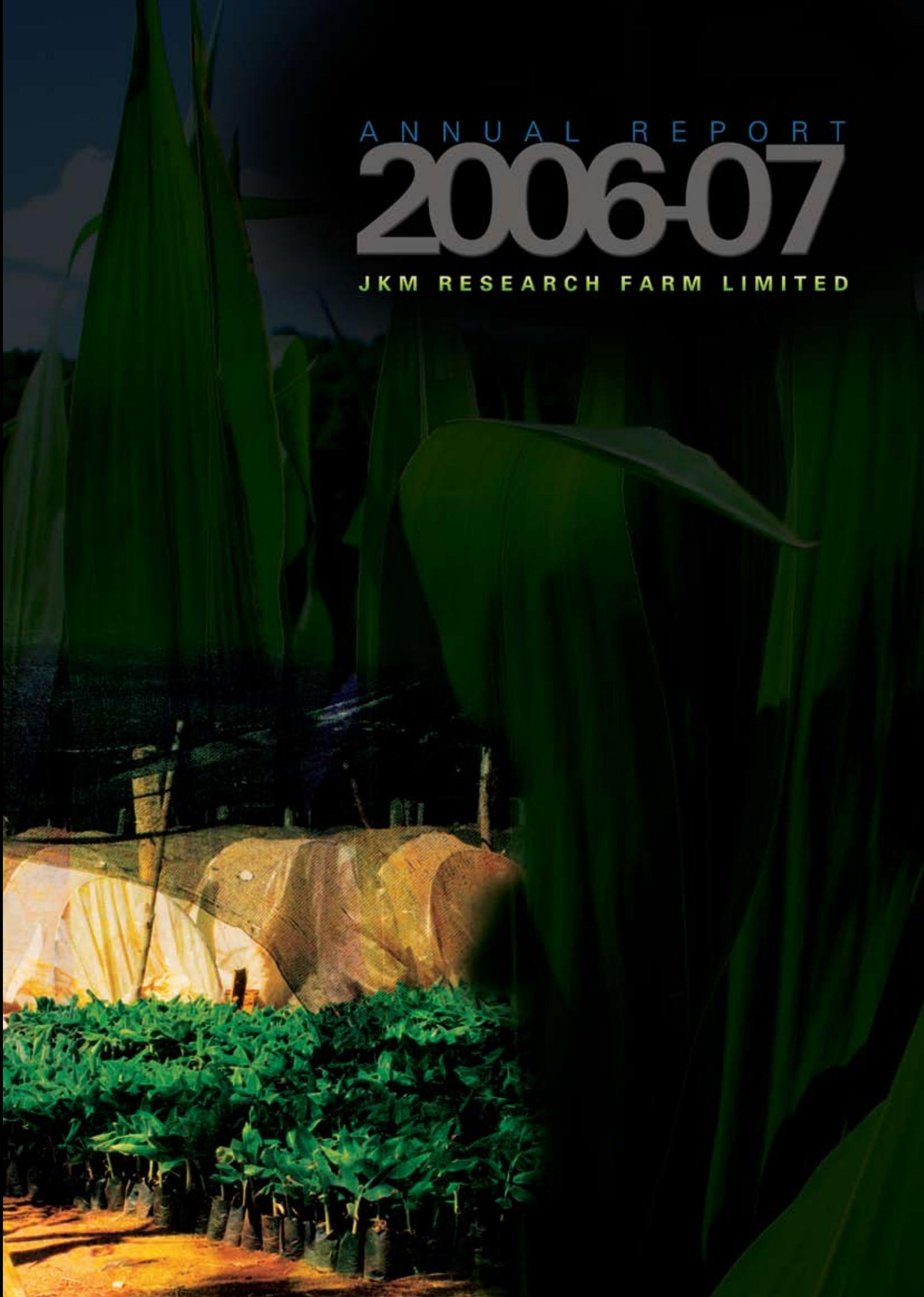
K. R. SRINIVASAN
VP-Finance &
Corporate Affairs



M. S. SHANKAR
Company Secretary

PLACE : BANGALORE
DATE : 7th AUGUST, 2007

This page has been intentionally left blank

The image is a cover for an annual report. It features a photograph of a cornfield. In the foreground, there are rows of young corn plants in black nursery bags. Behind them, a larger cornfield is visible, with some plants covered in a protective netting. The background shows a clear sky. The text is overlaid on the top right of the image.

ANNUAL REPORT

2006-07

JKM RESEARCH FARM LIMITED

BOARD OF DIRECTORS

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

AUDITORS

B N Govinda Prasad
Chartered Accountants Bangalore

REGISTERED OFFICE

Dynamatic Park Peenya Bangalore 560 058

CONTENTS

Directors' Report to Shareholders	...	JR-1
Auditors' Report	...	JR-2
Balance Sheet	...	JR-4
Profit & Loss Account	...	JR-5
Schedules to Accounts	...	JR-6

DIRECTORS' REPORT TO SHAREHOLDERS

Your Directors have pleasure in presenting the Thirteenth Annual Report together with the audited statement of accounts for the year ended **31st March, 2007**.

FINANCIAL RESULTS

The Financial Results of the Company for the year ended 31st March, 2007 were as follows:

(Rs in Lacs)

Particulars	Year ended 31.03.2007	Year ended 31.03.2006
Gross Profit (before Interest, Depreciation & Taxation) (EBITDA)	27.44	32.45
Interest	-	-
Depreciation	7.40	7.39
Net Profit/(Loss) Before Taxation	20.04	25.06
Provision for Current year Taxation	13.00	12.85
Provision for Deferred Tax	(1.30)	(1.03)
Provision for Fringe Benefit Taxation	0.04	-
Net Profit / (Loss) After tax	8.30	13.24
Excess (Short) provision of taxation of earlier years	-	1.03
Loss brought forward from previous year	(43.42)	(55.62)
Amount available for appropriation	-	-

DIVIDEND

No Dividend is recommended for the year under review.

PERFORMANCE OF YOUR COMPANY

During the year under report, your Company has made an operational income of **Rs.42 lacs** as against an operational income of Rs.42 lacs for the previous year. The pre-tax profit for the year amounted to **Rs.20 lacs** as against a profit of Rs.25 lacs for the previous year.

Your Company continues to be the **Research & Development facilitator** to its Holding Company, Dynamatic Technologies Limited, during the year under review.

DIRECTORS

Mr. V. Sunder retires by rotation and being eligible offers himself for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors' Responsibility Statement as required under Section 217(2AA) of The Companies (Amendment) Act, 2000.

Directors hereby confirm :

- (i) That in the preparation of the accounts for the financial year ended 31st March, 2007, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- (ii) That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss account of the Company for the year under review;
- (iii) That the Directors have taken proper and sufficient care for the maintenance of adequate records in accordance with the provisions of The Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) That the Directors have prepared the accounts for the financial year ended 31st March, 2007 on a 'going concern' basis.

AUDITORS

M/s. B.N. Govinda Prasad, Chartered Accountants, retires at this Annual General Meeting and are eligible for re-appointment.

STATUTORY INFORMATION:

None of the statutory information pursuant to section 217(1)(e) and section 217(2A) of The Companies Act, 1956, are applicable to the Company for the year under review.

By Order of the Board of Directors



PLACE : BANGALORE **UDAYANT MALHOUTRA**
DATE : 26th JULY, 2007 Chairman

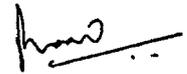
AUDITORS REPORT TO THE MEMBERS OF JKM RESEARCH FARM LIMITED

1. We have audited the attached Balance Sheet of JKM RESEARCH FARM LIMITED as at March 31, 2007, related Profit and Loss account for the year ended on that date annexed thereto, all of which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, (together the Order), issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we set out in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - 4.1 We have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purposes of our audit;
 - 4.2 In our opinion, proper books of account, as required by law, have been kept by the Company so far as appears from our examination of those books;
 - 4.3 The Balance Sheet, Profit and Loss Account dealt with by this report are in agreement with the books of account;
 - 4.4 In our opinion, the Balance Sheet, Profit and Loss account dealt with by this report have been prepared in compliance with the applicable accounting standards referred to in Section 211 (3C) of the Companies Act, 1956.
 - 4.5 On the basis of written representations received from the directors, as on March 31, 2007, and taken on record by the Board of Directors, none of the directors are disqualified as on March 31, 2007 from

being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

- 4.6 In our opinion and to the best of our information and according to the explanation given to us, the said financial statements together with notes thereon and attached thereto, give, in the prescribed manner, the information required by the Companies Act, 1956 and also give a true and fair view in conformity with the accounting principles generally accepted in India:

- 1 In the case of the Balance Sheet, of the Company's State of Affairs of the Company as at March 31, 2007; and
- 1 In the case of the Profit and Loss account, of the PROFIT for the year ended on that date.



B. N. Govinda Prasad
Partner
Membership No.23521
For & on behalf of
M/s. B.N.Govinda Prasad
Chartered Accountants

PLACE : BANGALORE
DATE : 26th JULY, 2007

Annexure to the Auditors' Report for the year ending 31st March 2007 referred to in paragraph 3 of our report of even date

- (i)
 - a) The Company is maintaining proper records to show full particulars including quantitative details and situation of its fixed assets.
 - b) The fixed assets are physically verified by the management during the year. In our opinion, the frequency of verification of the fixed assets by the management is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies have been noticed between the book records and the physical inventory.
 - c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the year.
- (ii)
 - a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
 - b) The procedure of physical verification of inventory followed by the management are reasonable and adequate in relation to

- the size of the Company and the nature of it's business.
- c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material and have been properly dealt with in the books of account.
- (iii) a) The Company has not taken loans, secured or unsecured, from Companies, firms or other parties listed in the Register maintained under Sec.301 of the Companies Act, 1956.
- b) The Company had taken inter-corporate unsecured loan from its holding Company in earlier years. The maximum amount outstanding during the year in respect of the aforesaid loan is Rs. 160.00 Lakhs and the year end balance is Rs. 160.00 Lakhs. In our opinion, the terms and conditions on which the loan mentioned has been taken are not, prima facie, prejudicial to the interest of the Company. No interest is stipulated on the said loan. While no repayment schedule has been agreed upon for the repayment of principal in respect of the said loan, the Company has repaid amounts towards part satisfaction of the loan.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and for sale of goods and services.
- (v) In our opinion and according to the information and explanations given to us, there were no transactions of purchase of goods, materials / services and for sale of goods, materials / services made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956, which are not reasonable having regard to the prevailing market prices for such goods, materials or services at the relevant time.
- (vi) The Company has not accepted any deposits from the public.
- (vii) The Company does not have a formal internal audit system. However, as per the explanations given to us, there are adequate internal checks at appropriate levels commensurate with the size and nature of the Company's business.
- (viii) As per the information and explanations furnished, the Central Government has not prescribed maintenance of cost records as required under Section 209(1) (d) of the Companies Act, 1956, in respect of the Company's activities.
- (ix) a) The Company is regular in depositing with appropriate authorities undisputed statutory dues as applicable to it.
- b) According to the information and explanations given to us and the books and records examined by us, there were no undisputed tax liabilities outstanding as at March 31, 2007 for over six months from the date they became payable.
- (x) In our opinion, the accumulated losses of the Company are not more than fifty percent of its net-worth. The Company has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
- (xi) During the year, the Company did not have any outstanding dues to a financial institution, bank or debenture holders.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund / nidhi / mutual benefit fund / society and clause 4(xiii) of the Order is not applicable.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, provisions of clause 4(xiv) of the Order are not applicable.
- (xv) On the basis of the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) There were no term loans outstanding during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been used for long term investment.
- (xviii) According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and Companies covered in the Register maintained under Section 301 of the Act.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money by public issues during the year.
- (xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported by the management during the course of our audit.



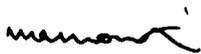
B.N.Govinda Prasad
Partner
 Membership No.23521
 For & on behalf of
M/s. B.N.Govinda Prasad
 Chartered Accountants

PLACE : BANGALORE
 DATE : 26th JULY, 2007

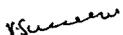
BALANCE SHEET AS AT 31ST MARCH, 2007

SOURCES OF FUNDS	Schedule	2007 Rs.	2006 Rs.
Shareholders Fund			
Capital	I	20,000,000	20,000,000
Reserves & Surplus	II	2,500,000	2,500,000
Deferred Tax Liability (Net)		2,165,900	2,295,900
Loan Funds			
Unsecured Loans	III	16,000,000	16,000,000
		<u>40,665,900</u>	<u>40,795,900</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	IV	17,681,282	17,681,282
Less: Depreciation		8,318,076	7,578,164
Net Block		<u>9,363,206</u>	<u>10,103,118</u>
Advances on Capital Account		7,888,872	7,698,872
Current Assets, Loans and Advances			
Inventories	V	12,463,453	12,463,453
Sundry Debtors	VI	4,733,640	4,733,640
Cash & Bank Balances	VII	64,122	40,779
Loans & Advances	VIII	5,427,098	3,296,620
		<u>22,688,312</u>	<u>20,534,492</u>
Less: Current Liabilities and Provisions			
Liabilities	IX	196,526	597,095
Provisions	X	2,589,000	1,285,000
		<u>2,785,526</u>	<u>1,882,095</u>
Net Current Assets		19,902,786	18,652,397
Profit and Loss Account		3,511,035	4,341,513
		<u>40,665,900</u>	<u>40,795,900</u>
Significant Accounting Policies & Notes on Accounts	XII		

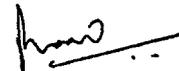
This is the Balance Sheet referred to in our report of even date.



UDAYANT MALHOUTRA
Director



V.SUNDER
Director



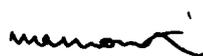
B.N.GOVINDA PRASAD
Partner
Membership No. 23521
For M/S B.N.GOVINDA PRASAD
Chartered Accountants

PLACE : BANGALORE
DATE : 26th JULY, 2007

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

INCOME	Schedule	2007 Rs.	2006 Rs.
Operational Income			
Income from letting out facilities		<u>4,200,000</u>	<u>4,200,000</u>
EXPENDITURE			
Operating and Other Expenses	XI	1,455,610	954,627
OPERATING PROFIT (EBITDA)		2,744,390	3,245,373
Depreciation		739,912	739,912
PROFIT BEFORE TAX		2,004,478	2,505,461
Provision for tax - for the year		1,300,000	1,285,000
- Deferred Tax		(130,000)	(103,300)
- Fringe Benefit Tax		4,000	-
PROFIT/(LOSS) AFTER TAX		830,478	1,323,761
Excess(Short) provision of taxation of earlier years		-	(102,984)
BROUGHT FORWARD		(4,341,513)	(5,562,290)
CARRIED FORWARD		(3,511,035)	(4,341,513)
Significant Accounting Policies & Notes on Accounts	XII		

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

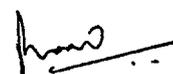


UDAYANT MALHOUTRA
Director



V.SUNDER
Director

PLACE : BANGALORE
DATE : 26th JULY, 2007



B.N.GOVINDA PRASAD
Partner
Membership No. 23521
For M/S B.N.GOVINDA PRASAD
Chartered Accountants

SCHEDULES TO ACCOUNTS

	2007 Rs.	2006 Rs.
SCHEDULE I - SHARE CAPITAL		
Authorised		
20,00,000 Equity Shares of Rs.10 each	20,000,000	20,000,000
Issued, Subscribed and Paid-up:		
20,00,000 (20,00,000) Equity Shares of Rs.10 each, fully Paid-up	20,000,000	20,000,000
SCHEDULE II - RESERVES & SURPLUS		
Capital Reserve		
Subsidy Received from National Horticulture Board under Back Ended Subsidy Scheme	2,500,000	2,500,000
SCHEDULE III - UNSECURED LOANS		
Received from Dynamatic Technologies Limited, the holding Company	16,000,000	16,000,000
SCHEDULE V - INVENTORIES (As taken, Valued and Certified by the Mgt)		
Rose Plants - At cost	12,463,453	12,463,453
SCHEDULE VI - SUNDRY DEBTORS (Unsecured; Considered Good)		
Debts outstanding for a period exceeding six months	4,733,640	4,733,640
SCHEDULE VII - CASH AND BANK BALANCES		
Balance with Scheduled Banks: In Current Accounts	64,122	40,779
SCHEDULE VIII - LOANS AND ADVANCES Unsecured, considered good		
Advances	3,101,889	2,296,500
Income Tax and TDS	2,267,569	942,480
Deposits	57,640	57,640
	<u>5,427,098</u>	<u>3,296,620</u>
SCHEDULE IX - CURRENT LIABILITIES		
Sundry Creditors		
Dues to Small Scale Industries	-	-
Others	142,755	276,766
Other Current Liabilities	53,771	320,329
	<u>196,526</u>	<u>597,095</u>
SCHEDULE X - PROVISIONS		
Provision for Tax	2,589,000	1,285,000

SCHEDULE - IV FIXED ASSETS

Description	GROSS BLOCK			DEPRECIATION BLOCK				NET BLOCK	
	As at 01.04.2006 Rs.	Additions/ (Deletions) Rs.	As at 31.03.2007 Rs.	As at 01.04.2006 Rs.	For the year Rs.	Deletions	As at 31.03.2007 Rs.	As at 31.03.2007 Rs.	As at 31.03.2006 Rs.
a) Let out (See Note 1 below)									
Land	289,594	-	289,594	-	-	-	-	289,594	289,594
Building	4,789,857	-	4,789,857	1,516,032	159,981	-	1,676,013	3,113,844	3,273,825
Plant and Machinery	10,440,159	-	10,440,159	4,842,874	495,908	-	5,338,782	5,101,377	5,597,285
Electrical Installations	1,601,353	-	1,601,353	712,529	75,243	-	787,772	813,581	888,824
Sub total (a)	17,120,963	-	17,120,963	7,071,435	731,132	-	7,802,567	9,318,396	10,049,528
b) Other Assets									
Furniture & Fixtures	101,823	-	101,823	71,159	6,445	-	77,604	24,219	30,664
Vehicles	458,495	-	458,495	435,570	2,335	-	437,905	20,590	22,925
Sub total (b)	560,318	-	560,318	506,729	8,780	-	515,509	44,809	53,589
Total	17,681,282	-	17,681,282	7,578,164	739,912	-	8,318,076	9,363,206	10,103,118
Previous Year	17,658,341	22,940	17,681,282	6,838,252	739,912	-	7,578,164	10,103,118	-

Notes:

- Let out to M/s.Dynamatic Technologies Limited, the holding Company

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2007

	2007 Rs.	2006 Rs.
SCHEDULE XI - OPERATING AND OTHER EXPENSES		
Insurance	17,019	28,082
Watch and Ward	504,315	495,900
Legal Expenses	-	35,647
Legal & Professional Charges	830,362	350,265
Other Establishment Expenses	66,896	17,183
Audit Fee - for audit	28,090	27,550
Audit Fee - for other services	8,928	-
	1,455,610	954,627

Schedule XII - SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FOR THE YEAR ENDED 31ST MARCH ' 2007

A. ACCOUNTING POLICIES

- The financial statements have been prepared under the historical cost convention.
- All income and expenditure having a material bearing on the financial statements are recognised on accrual basis.
- Fixed Assets are stated at cost of acquisition including the relatable direct costs incurred till the assets are ready to be put to use.
- Depreciation on Straight Line method has been provided on the fixed assets at the rates prescribed under Schedule XIV of the Companies Act, 1956.
- Rose plants forming part of inventory are self-generating in nature and therefore are valued at cost and not amortised. Work in Progress is valued at cost.

B. NOTES TO ACCOUNTS

- Subsidy of Rs.25 Lakhs (Rs.25 Lakhs) received from National Horticulture Board, under their Back Ended Subsidy Scheme has been shown under Capital Reserves in Schedule II.
- Rs.160.00 Lakhs (Rs.160.00 Lakhs) shown in Schedule III represents interest free advances given by M/s.Dynamatic Technologies Limited, the holding company.
- Advances on capital account amounting to Rs.78.89 Lakhs (Rs.76.99 Lakhs) expended for land and it's developmental expenses, of which, the transfer and ownership to the Company is pending completion of several legal formalities. In respect of 49 acres and 4 guntas of land, a suit for specific performance had been filed before the Civil Judge (Senior

division), Doddaballapur court. The Company has obtained an ad-interim injunction against the Vendor from alienating the property and the same is continuing.

- There were no employees in receipt of remuneration in excess of limits set under Section 217 (2A) of the Companies Act, 1956.
- The Company has rented out its facilities to M/s Dynamatic Technologies Limited, the holding Company, and earned Rs.42.00 Lakhs (Rs.42.00 Lakhs) as rental income arising out of this transaction.
- The transaction as per Note No.5 above is not in the nature of leases contemplated in Accounting Standard 19 issued by the Institute of Chartered Accountants of India.
- The Company has written back deferred tax saving of Rs. 1,30,000/- (Rs.1,03,300) during the year arising out of the timing differences on account of depreciation.
- Capacity, Production, Turnover and Stocks:

a) Capacities	
- Licenced Capacity	2 Million Stems
- Installed Capacity	Not Ascertainable
b) Production	Not Ascertainable
c) Sales	Rs.Nil (Rs.Nil)
d) Opening Stock	
- Rose (Mother) Plants	Rs.124.63 Lakhs (Rs.124.63 Lakhs)
e) Closing Stock	
- Rose (Mother) Plants	Rs.124.63 Lakhs (Rs.124.63 Lakhs)

In view of the nature of the commodity and the mortality factor, it is not able to ascertain the quantitative particulars in respect of the above.

- 9 Previous year's figures have been re-grouped and re-classified wherever necessary to conform to current year's classifications.
- 10 Figures in brackets relate to that of the previous year.
- 11 Information as required under part IV of the Schedule VI of the Companies Act, 1956:

I. Company's Registration Details

- Registration No.	16696
- State Code	08
- Balance Sheet Date	31.3.2007

II. Capital raised during the year Nil

III. Details of mobilisation and deployment of funds Rs. '000

- Total Liabilities	40,665.90
- Total Assets	40,665.90

Sources of Funds:

- Paid-up Capital	20,000.00
- Reserves and Surplus	2,500.00
- Deferred Tax Liability	2,165.90
- Unsecured Loans	16,000.00
	<u>40,665.90</u>

Application of Funds:

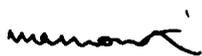
- Net Fixed Assets	9,363.21
- Advances on Capital Account	7,888.87
- Net Current Assets	19,902.79
- Profit and Loss account	3,511.04
	<u>40,665.90</u>

IV. Performance of the Company:

- Turnover	4,200.00
- Total Expenditure	2,195.52
- Profit before tax	2,004.48
- Profit after tax	830.48
- Earnings per Share	0.42
- Dividend	Nil

V. Generic names of three principal products

Item Code	Description
060210.00	Unrooted cuttings and slips
060240.00	Rose, grafted or not
06.03	Cut flowers



UDAYANT MALHOUTRA
Director



V.SUNDER
Director

PLACE: BANGALORE
DATE : 26th JULY, 2007

This page has been intentionally left blank

ANNUAL REPORT
2006-07

J K M G L O B A L P T E L I M I T E D

BOARD OF DIRECTORS

Mr. Udayant Malhoutra	...	Chairman
Mr. V. Sunder	...	Director
Mr. Lim Tiong Beng	...	Director

AUDITORS

RSM Chio Lim., Singapore
Certified Public Accountants

REGISTERED OFFICE

8 Temasek Boulevard
35-03 Suntec Tower 3
Singapore 038988

CONTENTS

Report of the Directors	...	JG-1
Auditors' Report	...	JG-2
Balance Sheet	...	JG-3
Income Statement	...	JG-3
Cash Flow Statement	...	JG-4
Notes to Financial Statements	...	JG-4

REPORT OF THE DIRECTORS

The Directors of the Company are pleased to present their report together with the audited financial statements of the Company for the financial year ended 31st March 2007.

1. DIRECTORS AT DATE OF REPORT

The Directors of the Company in office at the date of this report are:

Mr. V. Sunder
Mr. Lim Tiong Beng
Mr. Udayant Malhoutra

2. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate.

3. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The Directors of the Company holding office at the end of the financial year had no interests in the share capital of the Company as recorded in the register of Directors' shareholdings kept by the Company under Section 164 of The Companies Act, Cap. 50, except as follows:

Name of Directors	At beginning of year	At end of Year
In the Holding Company, Dynamatic Technologies Limited	Number of share of no par value	
Udayant Malhoutra	1,050,854	1,050,854

By virtue of Section 7 of The Companies Act, Cap. 50, the above Director with shareholding is deemed to have an interest in the Company and in all the related corporations of the Company.

4. CONTRACTUAL BENEFITS OF DIRECTORS

Since the beginning of the financial year, no Director of the Company has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of The Companies Act, Cap. 50, by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a Company in which he has a substantial financial interest.

5. OPTIONS TO TAKE UP UNISSUED SHARES

During the financial year, no option to take up unissued shares of the Company was granted.

6. OPTIONS EXERCISED

During the financial year, there were no shares of the Company issued by virtue of the exercise of an option to take up unissued shares.

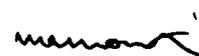
7. UNISSUED SHARES UNDER OPTION

At the end of the financial year, there were no unissued shares under option.

8. INDEPENDENT AUDITORS

The Independent Auditors, RSM Chio Lim, have expressed their willingness to accept re-appointment.

On behalf of the Directors



UDAYANT MALHOUTRA
Director



V. SUNDER
Director

PLACE : SINGAPORE

DATE : 17th APRIL, 2007

STATEMENT OF DIRECTORS

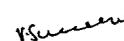
In the opinion of the Directors, the accompanying financial statements are drawn up so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2007 and of the results, changes in equity and cash flows of the Company for the financial year then ended and at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors authorised the issue of these financial statements.

On behalf of the Directors



UDAYANT MALHOUTRA
Director



V. SUNDER
Director

PLACE : SINGAPORE

DATE : 17th APRIL, 2007

AUDITORS' REPORT TO THE MEMBERS OF JKM GLOBAL PTE. LIMITED

We have audited the accompanying financial statements of JKM Global Pte Limited, which comprise the balance sheet as at 31 March 2007, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The Company's Directors are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 ("the Act") and Singapore Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Independent Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial

statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion,

- (a) the accompanying financial statements are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company as at 31 March 2007 and the results, changes in equity and cash flows of the Company for the year ended on that date; and
- (b) the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Without qualifying our opinion, we draw attention to Note 8 to the financial statements. As at 31 March 2007, the Company has net capital deficit of \$19,216. The financial statements have been prepared on a going concern basis as the ultimate holding Company has agreed to provide continued financial support to the Company to meet its liabilities as and when they fall due and not to recall its advance to the Company until the Company is in a financial position to repay its debts.



RSM Chio Lim
Certified Public Accountants

PLACE : SINGAPORE
DATE : 17TH APRIL, 2007

Partner-in-charge of audit: Goh Swee Hong

BALANCE SHEET AS AT 31ST MARCH, 2007

ASSETS	Notes	2007 \$	2006 \$
Current assets:			
Cash and cash equivalents	4	7,288	16,118
Other receivables	5	4,858	4,860
Total current assets		<u>12,146</u>	<u>20,978</u>
Total assets		<u>12,146</u>	<u>20,978</u>
LIABILITIES AND EQUITY			
Current liabilities:			
Trade and other payables	6	31,362	26,602
Total current liabilities		<u>31,362</u>	<u>26,602</u>
Total liabilities		<u>31,362</u>	<u>26,602</u>
Equity:			
Share capital	7	5,000	5,000
Accumulated losses		<u>(24,216)</u>	<u>(10,624)</u>
Net capital deficit	8	<u>(19,216)</u>	<u>(5,624)</u>
Total liabilities and equity		<u>12,146</u>	<u>20,978</u>

See accompanying notes to financial statements.

INCOME STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007

	Notes	2007 \$	2006 \$
Revenue		-	-
Financial expense	9	(1,038)	-
Administrative expenses		<u>(12,554)</u>	<u>(10,624)</u>
Loss before income tax		<u>(13,592)</u>	<u>(10,624)</u>
Income tax expense	10	-	-
Loss for the year		<u>(13,592)</u>	<u>(10,624)</u>

STATEMENT OF CHANGES IN EQUITY Year ended 31st March, 2007

	Share capital \$	Accumulated losses \$	Total equity \$
Subscribers' shares at date of incorporation	5,000	-	5,000
Loss for the year	-	<u>(10,624)</u>	<u>(10,624)</u>
Balance at 31 March 2006	<u>5,000</u>	<u>(10,624)</u>	<u>(5,624)</u>
Balance at 1 April 2006	5,000	(10,624)	(5,624)
Loss for the year	-	<u>(13,592)</u>	<u>(13,592)</u>
Balance at 31 March 2007	<u>5,000</u>	<u>(24,216)</u>	<u>(19,216)</u>

See accompanying notes to financial statements.

CASH FLOW STATEMENT YEAR ENDED 31ST MARCH, 2007

	2007 \$	2006 \$
Cash flows from operating activities		
Loss for the year	(13,592)	(10,624)
Operating loss before working capital changes	(13,592)	(10,624)
Other receivables	2	(4,860)
Trade and other payables	4,453	3,333
Net cash used in operating activities	(9,137)	(12,151)
Cash flow from financing activities		
Proceeds from issuing shares	–	5,000
Amount due to holding company	307	23,269
Net cash from financing activities	307	28,269
Net (decrease) / increase in cash	(8,830)	16,118
Cash at beginning of year / date of incorporation	16,118	–
Cash at end of year (Note 4)	7,288	16,118

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS 31ST MARCH, 2007

1. GENERAL

The Company is incorporated in Singapore with limited liability. The financial statements are presented in Singapore dollars. They are drawn up in accordance with the provisions of the Companies Act, Cap. 50 and the Singapore Financial Reporting Standards ("FRS"). The financial statements were approved and authorised for issue by the board of directors on 17 April 2007.

The principal activities of the Company are to buy, sell and deal in goods/services from Indian companies and other associated companies, in different parts of the world.

The Company has not commenced business since its date of incorporation.

The registered office is: 8 Temasek Boulevard, #35-03, Suntec Tower 3, Singapore 038988. The company is domiciled in Singapore.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ACCOUNTING CONVENTION – The financial statements are prepared under the historical cost convention except where an FRS require an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements.

BASIS OF PREPARATION OF FINANCIAL STATEMENTS – The preparation of financial statements in conformity with generally accepted accounting

principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Apart from those involving estimations, management has made judgements in the process of applying the entity's accounting policies. The areas requiring management's most difficult, subjective or complex judgements, or areas where assumptions and estimates are significant to the financial statements, are disclosed at the end of this footnote, where applicable.

CASH AND CASH EQUIVALENTS – Cash and cash equivalents include bank and cash balances and any highly liquid debt instruments purchased with an original maturity of three months or less. Cash for the cash flow statement includes cash and cash equivalents less bank overdrafts payable on demand that form an integral part of cash management and cash subject to restriction.

LOANS AND RECEIVABLES – Loans and other receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (a) those that the entity intends to sell immediately or in the near term and are classified as held for trading, and those that the entity upon initial recognition designates as at

fair value through profit or loss; (b) those that the entity upon initial recognition designates as available for sale; or (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration and are classified as available for sale. After initial recognition such financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on sale or other disposal, except for the noncurrent financial assets that are loans and receivables which are measured at amortised cost using the effective interest method less provision for impairment. These items are included in the balance sheet in loans and receivables as current assets or as noncurrent assets where the maturities are greater than 12 months after the balance sheet date.

IMPAIRMENT OF FINANCIAL ASSETS – All financial assets except those measured at fair value through profit or loss are subject to review for impairment. A financial asset or a group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognised.

FINANCIAL LIABILITIES – Financial liabilities at fair value through profit or loss when recognised initially are measured at fair value. Financial liabilities not at fair value through profit or loss are measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial liability. After initial recognition financial liabilities at fair value through profit or loss, including derivatives that are financial liabilities, are measured at fair value. Other financial liabilities not at fair value through profit or loss are measured at amortised cost and any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Financial liabilities including bank and other borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. Items classified within trade and other payables are not usually re-measured, as the obligation is usually known with a high degree of certainty and settlement is short term.

LIABILITIES AND PROVISIONS – A liability or provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable

that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. These include trade and other payables and where the effect of the time value of money is material, the amount recognised is the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

SHARE CAPITAL – Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds. Where the Company reacquires its own equity instruments as treasury shares, the consideration paid, including any directly attributable incremental cost is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders and no gain or loss is recognised in the income statement.

FAIR VALUE OF FINANCIAL INSTRUMENTS – The carrying values of current financial assets and financial liabilities including cash, accounts receivable, short term borrowings, accounts payable approximate their fair values due to the short term maturity of these instruments. The fair values of non current financial instruments are not disclosed unless there are significant items at the end of the year and in the event the fair values are disclosed in the relevant notes. Disclosures of fair value are not made when the carrying amount is a reasonable approximation of fair value. The maximum exposure to credit risk is the fair value of the financial instruments at the balance sheet date.

FOREIGN CURRENCY TRANSACTIONS – The functional currency is the Singapore dollar as it reflects the primary economic environment in which the entity operates. Transactions in foreign currencies are recorded in the functional currency at the rates ruling at the dates of the transactions. At each balance sheet date, recorded monetary balances and balances measured at fair value that are denominated in foreign currencies are reported at the rates ruling at the balance sheet and fair value dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in the income statement. The presentation is in the functional currency.

INCOME TAX – The income taxes are accounted using the asset and liability method that requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the financial statements or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted or substantially enacted tax laws; the effects of future changes in tax laws or rates are not anticipated. Income tax expense represents the sum of the tax currently payable and deferred tax. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same income tax authority. The carrying amount of deferred tax assets is reviewed at each balance sheet date and is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realised. A deferred tax amount is recognised for all temporary differences.

CRITICAL JUDGEMENTS, ASSUMPTIONS AND ESTIMATION UNCERTAINTIES

There were no critical judgements made in the process of applying the entity's accounting policies that have the most significant effect on the amounts recognised in the financial statements. There were no key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

RISK MANAGEMENT POLICIES FOR FINANCIAL INSTRUMENTS

GENERAL RISK MANAGEMENT PRINCIPLES – The financial instruments comprise borrowings, some cash and liquid resources, and various other items, including trade and other receivables, trade and other payables. The main purpose of these financial instruments is to raise finance for the entity's operations. The main risks arising from the entity's financial instruments are credit risk, liquidity risk and foreign currency risk. The management reviews and monitors policies for managing each of these risks and they are summarised below.

CREDIT RISK ON FINANCIAL ASSETS – Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations consist principally of cash, cash equivalents and trade and other accounts receivable. Credit risk on cash balances and derivative financial instruments is limited because the counterparties are banks with high credit ratings.

OTHER RISKS ON FINANCIAL INSTRUMENTS – The main risks arising from the entity's financial

instruments are liquidity risk and foreign currency risk. The operations are financed through a mixture of retained earnings and borrowings. There is exposure to liquidity. As regards liquidity, the policy has been to ensure continuity of funding and where necessary a certain percentage of the borrowings should mature in two to five years. Short term flexibility is achieved by advances from the holding company. There is also exposure to changes in foreign exchange rates arising from foreign currency transactions and balances and changes in fair values. These exposures and changes in fair values from time to time are monitored and any gains and losses are included in the income statement unless otherwise stated in the notes to the financial statements. There is no policy to reduce currency exposures through forward currency contracts, derivatives transactions or other arrangements.

3. RELATED PARTY TRANSACTIONS

A related party is an entity or person that directly or indirectly through one or more intermediaries controls, is controlled by, or is under common or joint control with, the entity in governing the financial and operating policies, or that has an interest in the entity that gives it significant influence over the entity in financial and operating decisions. It also includes members of the key management personnel or close members of the family of any individual referred to herein and others who have the ability to control, jointly control or significantly influence by or for which significant voting power in such entity resides with, directly or indirectly, any such individual. This includes parents, subsidiaries, fellow subsidiaries, associates, joint ventures and post employment benefit plans, if any.

3.1 RELATED COMPANIES:

The Company is a wholly owned subsidiary of Dynamic Technologies Limited, incorporated in India which is also the Company's ultimate holding Company. Related companies in these financial statements refer to members of the ultimate holding Company's group of companies.

There are transactions and arrangements between the Company and members of the group and the effects of these on the basis determined between the parties are reflected in these financial statements. The current intercompany balances are unsecured without fixed repayment terms and interest unless stated otherwise. For non current balances an interest is imputed based on the cost of borrowing less the interest rate if any provided in the agreement for the balance.

3.2 OTHER PAYABLES TO RELATED COMPANIES:

The movements in other payables to related companies are as follow:

	Ultimate holding Company	
	2007	2006
	\$	\$
Balance at date of incorporation	(23,269)	-
Amounts received during the year	(307)	(23,269)
Balance at end of year	<u>(23,576)</u>	<u>(23,269)</u>

4. CASH AND CASH EQUIVALENTS

	2007	2006
	\$	\$
Not restricted in use	<u>7,288</u>	<u>16,118</u>
Analysis of above amount denominated in foreign currency:		
United States Dollars	<u>7,288</u>	<u>16,118</u>

5. OTHER RECEIVABLES

	2007	2006
	\$	\$
Sundry	307	-
Deposits	<u>4,551</u>	<u>4,860</u>
	<u>4,858</u>	<u>4,860</u>
Analysis of above amount denominated in foreign currency:		
United States Dollars	<u>4,551</u>	<u>4,860</u>

Current receivables with a short duration are not discounted and the carrying values are assumed to approximate the fair value.

6. TRADE AND OTHER PAYABLES

	2007	2006
	\$	\$
Trade payables:		
Accrued liabilities	7,786	3,333
Other payables:		
Ultimate holding Company (Note 3)	23,576	23,269
Total trade and other payables	<u>31,362</u>	<u>26,602</u>

The average credit period taken to settle non related trade payables is about 30 days (2006: 30 days). The other payables are with short term durations.

The carrying amounts are assumed to be a reasonable approximation of fair values.

7. SHARE CAPITAL

	Number of shares	Issued share capital \$
Ordinary shares		
Subscribers' shares at date of incorporation, 31 March 2006 and at end of year 31 March 2007	<u>5,000</u>	<u>5,000</u>

With the changes to the Companies Act, Cap 50, effective from 30 January 2006, there is the removal of the concept of par value and authorised capital and there is no share premium account.

The ordinary shares of no par value carry no right to fixed income and are fully paid. The company is not subject to any externally imposed capital requirements.

8. NET CAPITAL DEFICIT

The company has net capital deficit of \$19,216 as at 31 March 2007. The financial statements have been prepared on a going concern basis as the ultimate holding Company has agreed to provide continued financial support to the company to meet its liabilities as and when they fall due and not to recall its advance to the Company until the Company is in a financial position to repay its debts.

9. FINANCIAL EXPENSE

	2007	2006
	\$	\$
Foreign exchange transaction loss	<u>1,038</u>	<u>-</u>

10. INCOME TAX

The income tax benefit varied from the amount of income tax benefit determined by applying the Singapore income tax rate of 18% (2006: 20%) to loss before income tax as a result of the following differences:

	2007	2006
	\$	\$
Loss before income tax	<u>(13,592)</u>	<u>(10,624)</u>
Income tax benefit at the statutory rate	(2,447)	(2,125)
Non allowable items	2,447	2,125
Total income tax expense	<u>-</u>	<u>-</u>

In 2007, the Government enacted a change in the national income tax rate from 20% to 18%.

11. CHANGES AND ADOPTION OF FINANCIAL STANDARDS

For the year ended 31 March 2007, the following new or revised Singapore Financial Reporting Standards were adopted for the first time. The new or revised standards did not require any material modification of the measurement method or the presentation in the financial statements.

FRS No.	Title
FRS 1	Presentation of Financial Statements
FRS 16	Property, Plant and Equipment (*)
FRS 19	Employee Benefits - Amendments relating to actuarial gains and losses, group plans and disclosures (*)
FRS 21	The Effects of Changes in Foreign Exchange Rates - Amendments relating to net investment in a foreign operation
FRS 24	Related Party Disclosures
FRS 32	Financial Instruments: Disclosure and Presentation
FRS 37	Provisions, Contingent Liabilities and Contingent Assets
FRS 38	Intangible Assets (*)
FRS 39	Financial Instruments: Recognition and Measurement - Amendments relating to cash flow hedge accounting of forecast intragroup transactions Amendments relating to financial guarantee contracts
FRS 101	First time Adoption of Financial Reporting Standards - Amendments relating to comparative disclosures for FRS 106 <i>Exploration for and Evaluation of Mineral Resources</i> (*)
FRS 101	Implementation Guidance (*)
FRS 104	Insurance Contracts (*)
FRS 104	Implementation Guidance (*)
FRS 106	Exploration for and Evaluation of Mineral Resources (*)
INT FRS 104	Determining whether an Arrangement contains a Lease (*)
INT FRS 105	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (*)
INT FRS 107	Applying the Restatement Approach under FRS 29 Financial Reporting in Hyperinflationary Economies (*)
INT FRS 108	Scope of FRS 102 (*)
INT FRS 109	Reassessment of Embedded Derivatives (*)
INT FRS 110	Interim Financial Reporting and Impairment (*)

(*) Not relevant to the entity.

12. FUTURE CHANGES IN ACCOUNTING STANDARDS

The following new or revised Singapore Financial Reporting Standards that have been issued will be effective in future. The transfer to the new or revised standards from the effective dates is not expected to have a material impact on the financial statements.

FRS No	Title	Effective date for periods beginning on or after
FRS 1	Presentation of Financial Statements Amendments relating to capital disclosures	1.1.2007
FRS 10	Events after the Balance Sheet Date	1.1.2007
FRS 12	Income Taxes	1.1.2007
FRS 14	Segment Reporting (*)	1.1.2007
FRS 17	Leases (*)	1.1.2007
FRS 19	Employee Benefits (*)	1.1.2007

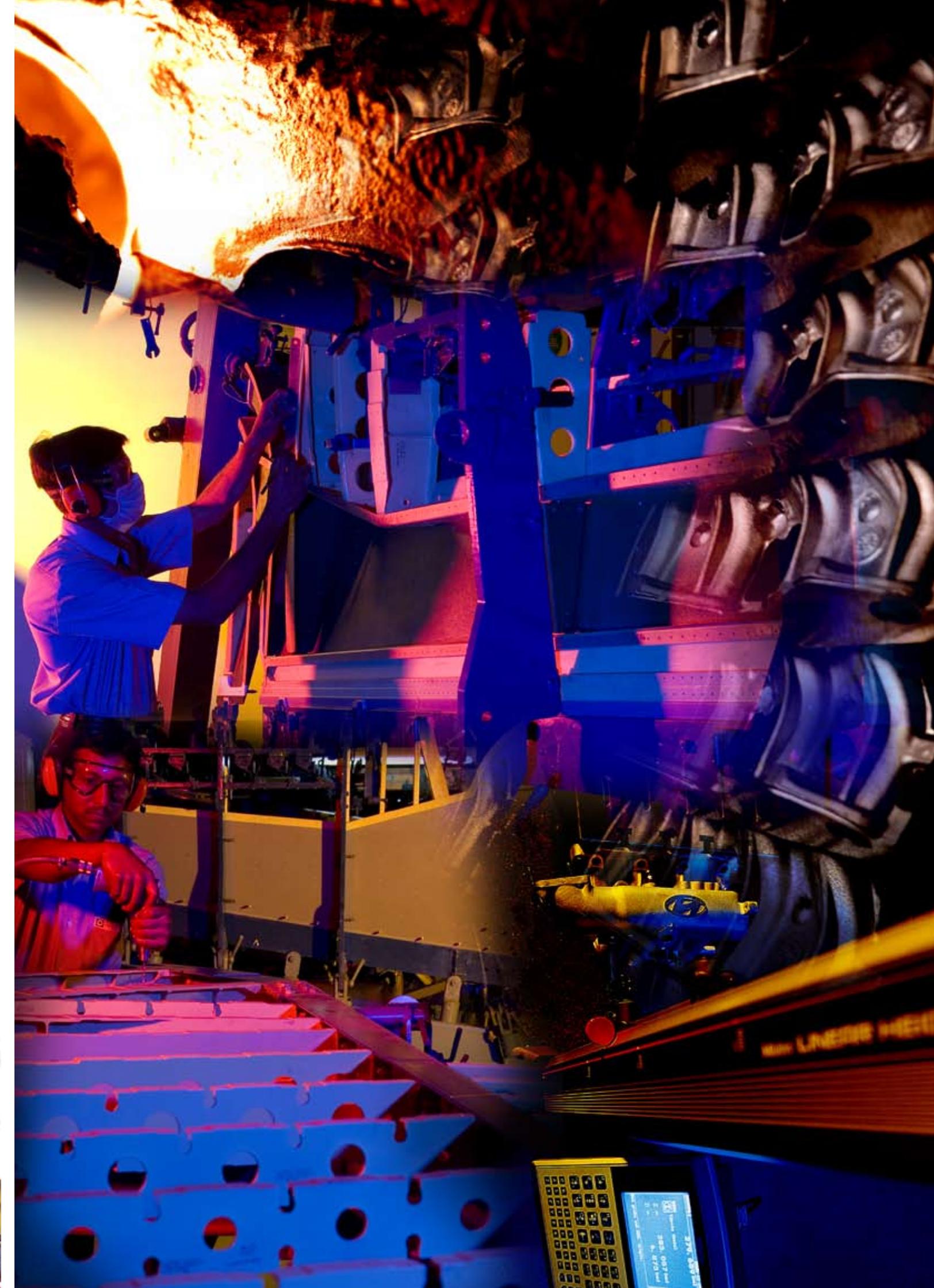
FRS 32	Financial Instruments: Presentation	1.1.2007
FRS 33	Earnings Per Share (*)	1.1.2007
FRS 39	Financial Instruments: Recognition and Measurement	1.1.2007
FRS 39	Implementation Guidance	1.1.2007
FRS 40	Investment Property (*)	1.1.2007
FRS 101	First time Adoption of Financial Reporting Standards (*)	1.1.2007
FRS 101	Implementation Guidance (*)	1.1.2007
FRS 102	Share based Payment (*)	1.1.2007
FRS 103	Business Combinations (*)	1.1.2007
FRS 104	Insurance Contracts (*)	1.1.2007
FRS 104	Implementation Guidance - Revisions relating to FRS 107 Financial Instruments: Disclosures (*)	1.1.2007
FRS 107	Financial Instruments: Disclosures-Implementation Guidance	1.1.2007
FRS 108	Operating Segments (*)	1.1.2009
INT FRS 105	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (*)	1.1.2007
INT FRS 111	FRS102 Group and Treasury Share Transactions (*)	1.3.2007
INT FRS 112	Service Concessions Arrangements (*)	1.1.2008

(*) Not relevant to the entity.

13. COMPARATIVE FIGURES

The financial statements for 2006 cover the financial year from 10 August 2005 to 31 March 2006. The financial statements for 2007 cover the twelve months ended 31 March 2007. Therefore, the comparative amounts for the income statement, statement of changes in equity, cash flow statements and related notes are not entirely comparable.

This page has been intentionally left blank



LINEAR MOTOR



LINEAR MOTOR
SERIAL NO. 12345678
DATE 2023-10-27
TIME 14:30:00

Dynamatic Aerospace®

A Division of Dynamatic Technologies Limited

Dynamatic® Hydraulics

A Division of Dynamatic Technologies Limited

Dynamatic Limited, UK

A Dynamatic Technologies Company

Dynametal®

A Division of Dynamatic Technologies Limited

JKM Daerim® Automotive Limited

A Dynamatic Technologies Company

JKM Global Pte Limited, Singapore

A Dynamatic Technologies Company

JKM Research Farm Limited

A Dynamatic Technologies Company

Powermetric® Design

A Division of Dynamatic Technologies Limited

Over the years, Dynamatic® Divisions and Subsidiaries have forged deep and lasting relationships with all their stakeholders, which have enabled them to grow continuously. These relationships are based on mutual trust and respect, and upon their collective capabilities in delivering complex technological solutions, at economically viable price levels.

We are geared towards providing innovative and creative solutions to our customers on a continuous basis. Every business process is built around the customer. We firmly believe that our success is merely a reflection of our ability to delight our customers.

©2006-07, Dynamatic Technologies Limited. All other trademarks, brands and copyrights are properties of their respective owners.

Dynamatic Technologies Limited



www.dynamatics.com

Dynamatic Technologies Limited

Dynamatic Park Peenya

Bangalore 560 058

Tel + 91 80 2839 4933/34/35

Fax + 91 80 2839 5823

JKM Daerim® Automotive Limited



www.jkm-daerim.com