ANNUAL REPORT 2008-09

DYNAMATIC TECHNOLOGIES LIMITED

.adapt,
survive
proliferate...

“It is not the strongest of the species that survive, nor the most intelligent, but the one most responsive to change.”

- attributed to Charles Darwin

Dear Fellow Shareholder,

On behalf of the Board of Directors of Dynamatic Technologies Limited and its Subsidiaries, I take pleasure in presenting you with audited financial statements for the year 2008-2009.

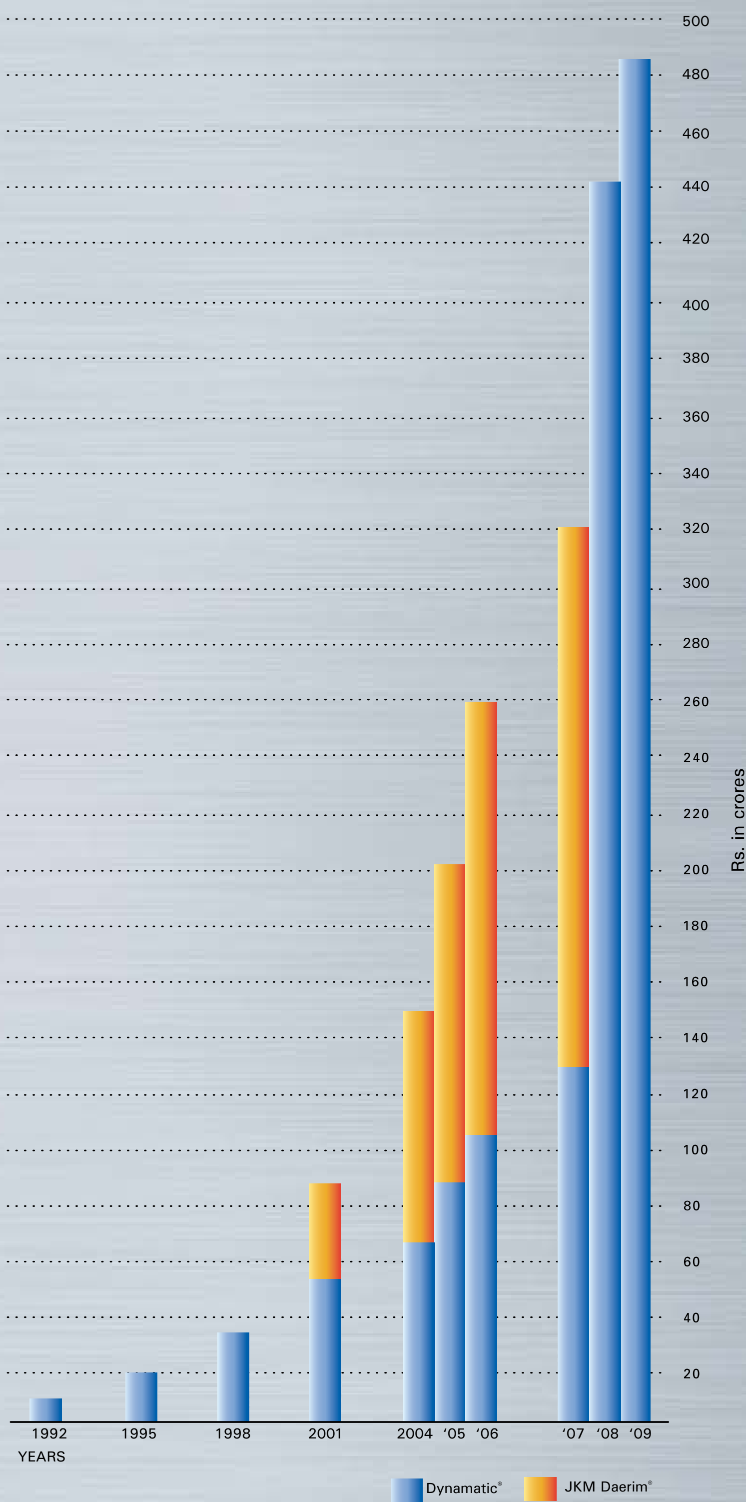
During the year under review, Your Company along with its Subsidiaries has recorded a growth rate of 9.69% in aggregated sales. Gross Sales of Rs. 4845.18 Million* (aggregated with Subsidiaries) was the highest ever recorded.

The graph on the right shows Your Company’s growth over the past 17 years.

Most of our shareholders have owned and held their shares for a long time, and are aware of the Dynamatic® narrative. For the benefit of our newer shareholders, I will take a moment to relate this story.

Your Company was originally called Dynamatic® Hydraulics Limited, and was engaged in the manufacture of Hydraulic Gear Pumps for agricultural tractors. Despite its modest beginnings, Your Company was able to compete with much larger MNC competitors, and today, has grown into one of the world’s leading manufacturers of Hydraulic Gear Pumps.

In addition, Your Company has built a unique vertically integrated business model with its own scientific knowledge, metallurgical capabilities, precision manufacturing, and systems design and build capabilities. Its precision engineering competencies have been broadened to include Automotive and Aerospace production, in addition to its original business of Hydraulics.

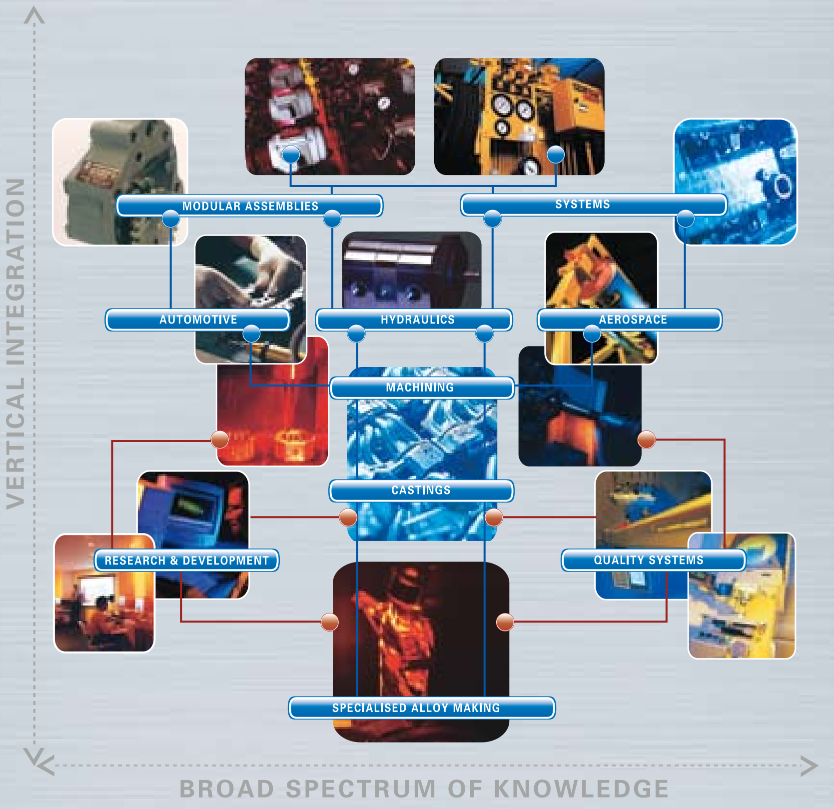


In the earlier years, JKM Daerim® has been identified separately on the bar chart above. With effect from 2007-08, the merged entity is shown as a single bar. The Aggregated Sales for 2008-09 also includes the turnover of Rs. 26.65 crores, recorded by Your Company’s wholly owned Subsidiary, DM 38 Limited, UK, over a period of 6 months and also the turnover of Rs. 85.71 crores of Your Company’s wholly owned Subsidiary, Dynamatic Limited, UK, for the entire year.

*Rs. 10 million = Rs.1 crore

Your Company benefits greatly from its organisational architecture as it can freely seek new opportunities and serve diverse markets. Indeed, it is this very adaptability that has enabled Dynamatic® to survive numerous challenges, and to flourish and proliferate through good times and bad. The year under review has been one of the most challenging ever, with global markets collapsing, material prices and currency values see-sawing wildly. Additionally, India's interest rates were raised sharply to contain inflation in an election-year.

As a result, Your Company's operations were affected during the second half of the fiscal period, as customers around the world started deferring purchases and slashing inventories. This is reflected in the year's financials.



"Chaos is inherent in all compounded things. Strive on diligently..."

- The Buddha

However, hidden under the headline numbers are some interesting little gems...

Utilising spare capacity during lean months, Your Company was able to successfully develop and prototype a record number of new products.

The Airbus A320 Flap-Track Beam under production at 'Prana', Dynamatic®'s new Aerospace facility

Your Company has also established a new aerospace facility to build Flap-Track Beams for EADS and Spirit AeroSystems. In less than a year, Your Company will become the single-source supplier of these flight-critical assemblies for Airbus' A318, A319, A320 and A321 aircraft.

Your Company has also raised capital from outside its shareholder base for the first time since the IPO in 1974, through a Qualified Institutional Placement (QIP).

This money has been utilised towards the acquisition of two strategic assets by Your Company...

The first, Oldland Aerospace™, located at Bristol, UK is one of the finest centers of excellence for complex aerospace machining in the western world. It is a crucial element in Your Company's *'Yellow Brick Road'* strategy detailed later.

Your Company has also acquired a 12MW wind-farm at Coimbatore which provides JKM Automotive™ and Dynametal® with sustainable (and free) energy.

YELLOW BRICK ROAD STRATEGY

Both these investments are profitable and already contribute to Your Company's earnings, even as they are part of longer-term organisational design.

The *Yellow Brick Road Strategy* envisages the creation of a global aerospace supply chain by Dynamatic Aerospace® , that creates new value for the Company, while providing secure cost-benefits to global majors like Airbus, Boeing and Spirit. This will enable Your Company to seize opportunities that flow from India's offset policies as they arise.

The phenomenon of change is forever present, whether in Nature or in the World of Man. And adaptive organisations, like natural creatures, evolve fastest in times of greatest stress.

"Intelligence is the ability to adapt to change"

- Stephen Hawking

The Dynamatic® leadership team comprising of Udayant Malhoutra, Raymond Lawton & James Tucker with Lord Mervyn Davies, the UK Government's Minister for Trade & Industry. During their meeting with the Minister, the Dynamatic® team presented the 'Yellow Brick Road' strategy and was greatly encouraged by the Minister who provided many ideas with respect to Your Company's globalisation efforts.

Your Company has been designed to survive any environment and flourish, and the leadership team at Dynamatic® remains confident in its abilities to continue on its existing high growth curves.

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

Udayant Malhoutra
Chief Executive Officer and Managing Director

CORPORATE STRUCTURE

***N Rajagopal, Executive Director & Chief Operating Officer, Dynamatic® Hydraulics and Dynametal®, was redesignated as Executive Director & Chief Technology Officer of Dynamatic Technologies with effect from 30th June, 2009.**

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.

JKM RESEARCH FARM LIMITED
Chairman
Mr. Udayant Malhoutra
Director
Mrs. Pramilla Malhoutra
Director
Mr. V. Sunder
Auditors
M/s Prasad & Kumar
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 LLP.
Public Accountants and Certified Public Accountants, Singapore

DYNAMATIC LIMITED, UK
Chairman
Mr. Udayant Malhoutra
Director
Mr. Michael John Handley
Director
Mr. V. Sunder
Executive Director & Chief Operating Officer
Mr. Raymond Keith Lawton
Technical Director & Chief Technology Officer, Hydraulics
Mr. Ian Patterson
Auditors
PricewaterhouseCoopers LLP, Bristol

OLDLAND AEROSPACE LIMITED, UK
Chairman
Mr. Udayant Malhoutra
Director
Mr. V. Sunder
Director
Mr. Raymond Keith Lawton
Director
Mr. James Tucker
Director
Ms. Claire Tucker
Auditors
PricewaterhouseCoopers LLP, Bristol

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

DM 38 LIMITED, UK
Chairman
Mr. Udayant Malhoutra
Director
Mr. V. Sunder
Director
Mr. Raymond Keith Lawton
Auditors
PricewaterhouseCoopers LLP, Bristol

DYNAMATIC TECHNOLOGIES LIMITED

REGISTERED OFFICE
Dynamatic Park Peenya
Bangalore 560 058

KEY FACILITIES
Dynamatic Park Peenya
Bangalore 560 058 India

JKM Park SIPCOT Irrungattukottai
Sriperumbudur Tamil Nadu 602 105 India

Cheney Manor, Swindon, Wiltshire
SN2 2PZ, England

Jarvis Street Barton Hill
Bristol BS5 9TR, England

AUDITORS
Price Waterhouse & Co.,
Chartered Accountants, Bangalore

COMPANY SECRETARY
Ms. G. Haritha

REGISTRAR & TRANSFER AGENTS
Karvy Computershare Pvt. Ltd
Vittal Rao Nagar, Madhapur,
Hyderabad 500 081

BANKERS
State Bank of India
State Bank of India, London
Punjab National Bank (International) Limited
Punjab National Bank
DBS Bank Limited
Standard Chartered Bank
Citibank
HDFC Bank
ICICI Bank
Axis Bank Limited
Kotak Mahindra Bank Limited

FINANCIAL INSTITUTIONS
GE Capital Services India

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

Director
Dr. K. Aprameyan
Distinguished Technocrat
He is credited with the growth of Bharat Earth Movers Limited where he retired as Chairman and Managing Director. He was also a Member of the National Council, Confederation of Indian Industries (CII) and the Governing Council, Institute of Robotics and Intelligence Systems (IRIS)

Director
Air Chief Marshal S. Krishnaswamy (Retd.)
Distinguished Former Head of Indian Defence Services
He is credited with bringing focus towards indigenous capabilities as an additional strategic dimension of National Security Policy. He retired as the Commander of India's Defence forces in the capacity of Chairman, Chiefs of Staff Committee, 2004, in addition to serving as Chief of Air Staff, Indian Air Force, 2002-04.

Director
Mr. S. Govindarajan
Senior Banking Professional
Formerly the Managing Director & Group Executive (National Banking Group) of the largest bank in India, his illustrious career with the State Bank of India which included tenures as the Chief Financial Officer and Chief Treasury Officer, has endowed him with rich experience in finance & banking. He has also served as the Banking Ombudsman of the Reserve Bank of India.

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

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

Director
Mr. Raymond Keith Lawton
Company Executive
Formerly the Executive Chairman, Sauer Danfoss (Swindon Unit), he is credited with the transformation of the Swindon unit into a state-of-the-art facility. He is the Executive Director & Chief Operating Officer, Dynamatic Limited, UK.

Executive Director & Chief Technology Officer
Mr. N. Rajagopal
Company Executive
He has over three decades' experience in production, design and engineering operations, having held positions of seniority in Dynamatic®. He was formerly Director Operations, and ED &COO, Dynamatic® Hydraulics and Dynametal®.

Executive Director & Chief Marketing Officer
Mr. B. Seshnath
Company Executive
He has extensive marketing experience in Automotive, Pneumatic and Hydraulic industries, having worked with the TVS Group, Mahindra & Mahindra, Festo and Dynamatic®. He was formerly the Executive Director & Chief Operating Officer, JKM Daerim Automotive Ltd.

President & Group Chief Financial Officer
Mr. V. Sunder
Company Executive
He has rich experience in Corporate Management, Law & Finance, having been the Company Secretary & Head Corporate Planning, Dynamatic®. He is a fellow member of the Institute of Company Secretaries of India and formerly CEO and Executive Director, JKM Daerim Automotive Ltd.

Chief Executive Officer & Managing Director
Mr. Udayant Malhoutra
Industrialist
He is credited with successfully initiating, nurturing and scaling to Industrial size, various technologies associated with all three sciences. In addition to his role at Dynamatic®, he has been a Member, Board of Governors, IIT Kanpur (1997-2001), Chairman, CII National Technology Committee, Member, CII National Council (2001-2002) and President, Fluid Power Society of India, 2004-09.

CONTENTS

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

1. We have audited the attached Consolidated Balance Sheet of **Dynamatic Technologies Limited** ('the Company') and its subsidiaries (herein after referred to as 'the Group') as at March 31, 2009 and the related Consolidated Profit and Loss Account for the year ended on that date, and Cash Flow Statement for the year ended on that date, annexed thereto, which we have signed under reference to this report. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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. We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets of Rs.1,679,860 as at March 31, 2009, total revenues of Rs.1,185,922 and net cash outflow amounting to Rs.26,275 for the year ended on that date. The 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 other auditors.

4. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements, as notified in the Companies (Accounting Standards) Rules, 2006.

5. Without qualifying, we draw attention to Note 25 on Schedule 20 to the financial statements explaining that these accounts have been prepared on a going concern basis although there has been breach of some covenants against certain bank borrowings which are under negotiation for relaxation.

6. 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 Group as at March 31, 2009;

   ii) in the case of the Consolidated Profit and Loss Account, of the Consolidated results of operations of the Group for the year ended on that date; and

   iii) in the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of the Group for the year ended on that date.

S. Dutta
Partner
Membership No. : F 50081
For and on behalf of
Price Waterhouse & Co.,
Chartered Accountants

PLACE : BANGALORE
DATE : 10th JULY, 2009

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2009

	Schedule	2009 Rs.000	2008 Rs.000
SOURCES OF FUNDS			
Shareholders' Funds			
Capital	1	**54,147**	48,107
Reserves and Surplus	2	**1,067,459**	599,629
Minority Interest		1	1
Loan Funds			
Secured Loans	3	**2,654,864**	1,575,777
Unsecured Loans	4	**182,066**	176,165
Deferred tax liabilities (Schedule 20 Note 9)		**218,612**	154,068
		4,177,149	2,553,747
APPLICATION OF FUNDS			
a) **Fixed Assets**			
Gross Block	5	**3,435,591**	2,337,642
Less: Depreciation		**1,098,005**	722,416
Net Block		**2,337,586**	1,615,226
Capital Work-in-Progress		**310,490**	173,394
		2,648,076	1,788,620
b) **Goodwill on Consolidation** (Schedule 20 Note 16)		**322,804**	-
Investments	6	-	-
Foreign Currency Monetary Item Translation Difference Account [Schedule 20 Note 18(b)]		**62,382**	-
Current Assets, Loans and Advances			
Inventories	7	**662,398**	471,884
Sundry Debtors	8	**965,522**	791,683
Cash and Bank Balances	9	**247,691**	253,871
Other Current Assets	10	**25,570**	27,288
Loans and Advances	11	**186,350**	124,911
		2,087,531	1,669,637
Less: Current Liabilities and Provisions			
Liabilities	12	**896,145**	848,366
Provisions	13	**47,499**	56,144
		943,644	904,510
Net Current Assets		**1,143,887**	765,127
		4,177,149	2,553,747
Notes on Accounts	20		

The schedules referred to above and the 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

Dr. K APRAMEYAN
Director

S GOVINDARAJAN
Director

GOVIND MIRCHANDANI
Director

MALAVIKA JAYARAM
Director

B SESHNATH
Executive Director and CMO

N RAJAGOPAL
Executive Director and CTO

V SUNDER
President and Group CFO

UDAYANT MALHOUTRA
CEO and Managing Director

PLACE : BANGALORE
DATE : 10th JULY, 2009

N RAM MOHAN
Financial Controller

G HARITHA
Company Secretary

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2009

	Schedule	2009	2008
INCOME		**Rs.000**	Rs.000
Sales and Services	**14**	**4,434,482**	4,053,887
Less: Excise duty included therein		**378,260**	494,281
Sales (Net)		**4,056,222**	3,559,606
Other Income	**15**	**112,837**	103,527
		4,169,059	3,663,133
EXPENDITURE			
Cost of Materials	**16**	**2,087,593**	1,846,098
Employee Cost	**17**	**794,483**	603,775
Other Operating Expenses	**18**	**859,750**	643,588
		3,741,826	3,093,461
Operating Profit before Depreciation and Interest (EBITDA)		**427,233**	569,672
Depreciation (Schedule 5 Note 7)		**200,852**	131,611
Interest	**19**	**187,547**	107,821
Profit before Taxation and Extraordinary/ Exceptional items		**38,834**	330,240
"Extraordinary/ Exceptional items:			
(Schedule 20 Note 12)			
Acquisition/ Merger Expenses		**35,305**	28,792
Profit Before Taxation		**3,529**	301,448
Provision for Taxation (Schedule 20 Note 9)			
Income Tax			
- Current		**3,997**	72,133
- MAT Credit Entitlement		**(12,145)**	-
- Deferred Tax [Debit/ (Credit)]		**58,705**	43,917
- Fringe Benefit Tax		**4,957**	4,700
- Wealth Tax		**297**	211
Profit/ (Loss) After Taxation		**(52,282)**	180,487
Profit brought forward from previous year		**252,917**	99,896
Profit After Taxation Available for Appropriation		**200,635**	280,383
Appropriations			
Dividend:			
- Interim		**13,537**	10,484
- Proposed		**8,122**	24,054
- Tax thereon		**3,681**	5,189
Transferred to General Reserve		**4,870**	18,577
		170,425	222,079
Add: Transfer of minority share in Profit and Loss Account		**-**	30,838
Profit carried to Balance Sheet		**170,425**	252,917
Earning per Share - Basic and Diluted [Schedule 20 Note 8]			
- Before Extraordinary/ Exceptional Items		**(3.27)**	49.78
- After Extraordinary/ Exceptional Items		**(10.06)**	42.94
Notes on Accounts	**20**		

The schedules referred to above and the 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

Dr. K APRAMEYAN
Director

S GOVINDARAJAN
Director

GOVIND MIRCHANDANI
Director

MALAVIKA JAYARAM
Director

B SESHNATH
Executive Director and CMO

N RAJAGOPAL
Executive Director and CTO

V SUNDER
President and Group CFO

UDAYANT MALHOUTRA
CEO and Managing Director

PLACE : BANGALORE
DATE : 10th JULY, 2009

N RAM MOHAN
Financial Controller

G HARITHA
Company Secretary

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2009

		2009 Rs.000	2008 Rs.000
A.	**Cash flow from operating activities:**		
	Profit before Taxation and before Extraordinary/ Exceptional items	**38,834**	330,240
	Adjustments for:		
	Depreciation	**200,852**	131,611
	Interest Expense	**187,547**	107,821
	Interest Income	**(8,883)**	(10,443)
	(Profit)/Loss on Fixed Assets sold	**(38,352)**	1,460
	Miscellaneous Expenditure written off	-	42
	Bad Debts / Advances Written off	**979**	1,612
	Provision for bad and doubtful Debts/ advances	**7,905**	5,034
	Impairment of Goodwill arising on Consolidation	**32,385**	-
	Liability no longer required written back	**(627)**	(631)
	Provision for Gratuity and Leave Encashment	**8,278**	1,251
	Unrealised foreign exchange (gain) /loss	**22,521**	(4,870)
	Amortisation of Foreign Currency Monetary Item Translation Difference Account	**53,173**	-
	Provision for warranty	**2,028**	5,915
	Operating profit before working capital changes	**506,640**	569,042
	Adjustments for changes in working capital :		
	- (Increase)/Decrease in Sundry Debtors	**(181,938)**	(113,379)
	- (Increase)/Decrease in Other Receivables	**(74,966)**	(28,985)
	- (Increase)/Decrease in Inventories	**(190,512)**	(31,602)
	- Increase/(Decrease) in Trade and Other Payables	**(31,809)**	6,045
	Adjustment for Unrealised Foreign Exchange Gain/(Loss)	**(22,521)**	(3,168)
	Exchange difference on translation of subsidiaries [excluding relating to Fixed Assets Rs.14,099 (2008: Nil)]	**(88,004)**	(2,637)
	Cash generated from operations	**(83,110)**	397,953
	- Direct Tax paid	**(9,186)**	(70,545)
	- Fringe Benefit Tax paid	**(7,369)**	(4,145)
	Net cash from operating activities before Extraordinary/ Exceptional items	**(99,665)**	323,263
	- Extraordinary/ Exceptional items	**(35,305)**	(28,792)
	Net cash from operating activities after Extraordinary/ Exceptional items	**(134,970)**	294,471
B.	**Cash flow from Investing activities:**		
	Purchase of fixed assets [net of adjustment on account of AS 11 amendment (Schedule 20 Note 18)]	**(730,195)**	(452,102)
	Proceeds from Sale of fixed assets	**87,641**	5,442
	Proceeds from Sale of Investments	-	15
	Proceeds from repayment of Loans/ICDs	**23,284**	216
	Interest Received (Revenue)	**14,330**	6,091
	Amount Paid on Acquisition of Windfarm/ Business Purchase of Dynamatic Limited, UK	**(320,813)**	(363,673)
	Premium paid on acquisition of shares in Subsidiaries [after adjustment relating to deferred tax liability on the date of acquisition Rs.9,067 (2008: Rs.Nil)]	**(346,122)**	-
	Adjustment for Unrealised Foreign Exchange Gain / (Loss)	-	355
	Net cash used in investing activities	**(1,271,875)**	(803,656)

	2009 Rs.000	2008 Rs.000
C. Cash flow from financing activities:		
Proceeds from long term borrowings [net of adjustment on account of AS 11 amendment (Schedule 20 Note 18)]	**1,142,850**	485,907
Repayment of long term borrowings	**(250,382)**	(149,393)
Proceeds from Issue of shares [net of related share issue expenses Rs.8,759 (2008: Rs.Nil)]	**736,577**	-
Repayment of Inter Corporate Deposits (Net)	**(5,000)**	(5,000)
Repayment of Loan from Directors (Net)	-	(800)
Repayment of public deposits (Net)	**(592)**	(177)
Proceeds/ Repayments from Cash Credits/ Working Capital Loans (Net)	**(25,690)**	472,081
Proceeds from Buyer's Credit (Net)	**11,477**	80,687
Interest Paid	**(181,188)**	(106,293)
Dividend Paid	**(23,980)**	(36,852)
Dividend Tax Paid	**(3,407)**	(8,744)
Adjustment for Unrealised Foreign Exchange Gain/(Loss)	-	7,686
Net cash used in financing activities	**1,400,665**	739,102
Net Increase/(Decrease) in Cash and Cash Equivalents	**(6,180)**	229,917
Cash and cash equivalents as at 31.03.2008	**253,871**	26,591
Cash and cash equivalents as at 31.03.2009	**247,691**	253,871
	(6,180)	227,280

Notes :

1 The above Consolidated Cash Flow Statement has been compiled from and is based on the Consolidated Balance Sheet as at March 31, 2009 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 as notified under Section 211(3C) of the Companies Act, 1956.

3 Current year figures are after giving effect to the acquisition and operations of the new ultimate subsidiary (namely DM 38 Limited, U.K) and Windfarm division and accordingly the current year figures are not comparable with those of the previous year.

4 Previous year's figures have been regrouped wherever necessary in order to conform to this year's presentation.

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

For and on behalf of the Board of Directors

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

Dr. K APRAMEYAN
Director

S GOVINDARAJAN
Director

GOVIND MIRCHANDANI
Director

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President and Group CFO

UDAYANT MALHOUTRA
CEO and Managing Director

N RAM MOHAN
Financial Controller

G HARITHA
Company Secretary

PLACE : BANGALORE
DATE : 10th JULY, 2009

			2009 Rs.000		2008 Rs.000
1.	**Capital**				
	Authorised: 20,000,000 (2008: 20,000,000) Equity Shares of Rs. 10 each		**200,000**		200,000
	500,000 (2008: 500,000) Redeemable Cumulative Preference Shares of Rs 100 each		**50,000**		50,000
			250,000		250,000
	Issued, Subscribed and Paid-up: 5,414,703 (2008: 4,810,703) Equity Shares of Rs.10 each fully paid up (Schedule 20 Note 24)		**54,147**		48,107
			54,147		48,107
2.	**Reserves and Surplus**				
	Securities Premium Account (Schedule 20 Note 24)				
	As per last Balance Sheet	**600**		600	
	Add : Received during the year	**739,296**		-	
	(Less) : Utilisation during the year	**(8,759)**	**731,137**	-	600
	Capital Reserve [Note below]		**4,000**		4,000
	Captial Redemption Reserve		**24,000**		24,000
	Reserve on Amalgamation		**15,429**		15,429
	Revaluation Reserve:				
	As per last Balance Sheet	**17,423**		17,765	
	(Less): - Additional depreciation charge on revalued fixed assets [Schedule 20 Note 1(f)(i)]	**(342)**	**17,081**	(342)	17,423
	Hedge Reserve (Debit Balance) [Schedule 20 Note (22)(b)]		**(63,544)**		-
	General Reserve: As per last Balance Sheet	**287,896**		258,624	
	Add / (Less) : - Transfer of minority share of General Reserve	**-**		10,695	
	- Adjustment on account of adoption of Accounting Standard 11 [net of deferred tax credit of Rs.3,228 (Schedule 20 Note 18)]	**(19,095)**		-	
	- Transferred from Profit and Loss account	**4,870**		18,577	
			273,671		287,896
	Foreign Currency Translation Reserve (Debit Balance)[Schedule 20 Note(1)(g)(3)]		**(104,740)**		(2,636)
	Profit and Loss Account balance		**170,425**		252,917
			1,067,459		599,629

Note:
Represents:
(i) Backward Area Subsidy received during 2004-05 amounting to Rs.1,500.
(ii) Back Ended Subsidy received by JKM Research Farm Limited amounting to Rs.2,500.

		2009 Rs.000	2008 Rs.000
3.	**Secured Loans** [Schedule 20 Note 21(a)]		
	From Banks		
	Term Loan:		
	- In Rupees [Repayable within one year Rs.117,827 (2008: Rs.94,979)]	**649,659**	300,871
	- In Foreign Currency [Repayable within one year Rs.112,129 (2008: Rs.48,704)]	**1,246,720**	485,689
	Cash Credit and Working Capital Loan		
	- In Rupees	**445,442**	531,834
	- In Foreign Currency	**285,553**	224,851
	From Financial Institutions		
	Term Loan - In Rupees [Repayable within one year Rs. 2,110 (2008: Rs.4,220)]	**2,110**	16,955
	Vehicle Loans - In Rupees [Repayable within one year Rs. 6,828 (2008: Rs.7,872)]	**22,341**	13,937
	Interest Accrued and Due	**3,039**	1,640
		2,654,864	1,575,777
4.	**Unsecured Loans**		
	Public Deposits - In Rupees [Repayable within one year Rs.11,111 (2008: Rs.13,548)]	**17,176**	17,768
	Buyer's Credit from Banks - In Foreign currency [Schedule 20 Note 21(b)] [Repayable within one year Rs.120,053 (2008: Rs.Nil)]	**120,053**	108,576
	Short Term Loans:		
	- Inter Corporate Deposits - In Rupees	**50**	5,050
	Interest Free Sales Tax Loan - In Rupees (Schedule 20 Note 14) [Repayable within one year Rs.Nil (2008: Rs. Nil)]	**44,408**	44,373
	Interest Accrued and Due	**379**	398
		182,066	176,165

5. Fixed Assets

[Schedule 20 Notes 1f(i), f(ii), l and r]

Rs.000

	GROSS BLOCK- AT COST OR REVALUATION						DEPRECIATION						NET BLOCK	
	2008	Translation Adjustment	Assets acquired (Note 8)	Other Additions/ Adjustments	Deletions	2009	2008	Translation Adjustment	Assets acquired (Note 8)	Other Additions/ Adjustments	Deletions	2009	2009	2008
Tangible Assets														
Land and Development (Note 1 & 2)	29,764	-	187,898	-	-	217,662	-	-	-	-	-	-	217,662	29,764
Buildings (Note 2)	343,700	(274)	79,767	55,849	37,930	441,112	36,813	(71)	-	13,811	-	50,553	390,559	306,887
Plant and Machinery(Note 3, 5 & 6)	1,627,613	(14,258)	360,184	296,452	7,407	2,262,584	563,679	(1,787)	154,226	139,613	4,005	851,726	1,410,858	1,063,934
Measuring Instruments	17,733	-	22	3,356	-	21,111	9,589	-	-	737	-	10,326	10,785	8,144
Electrical Installations (Note 2)	59,803	-	-	9,648	-	69,451	11,536	-	-	2,902	-	14,438	55,013	48,267
Data Processing Equipments	61,395	(504)	13,424	11,275	-	85,590	38,133	(192)	8,085	9,220	-	55,246	30,344	23,262
Office Equipments	22,302	-	4,026	(2,038)	54	24,236	8,235	(11)	2,543	4,930	36	15,661	8,575	14,067
Furniture And Fixtures	33,203	(764)	66	3,493	-	35,998	9,907	(90)	-	4,084	-	13,901	22,097	23,296
Tools, Dies And Moulds	68,217	(664)	17,633	10,733	-	95,919	17,968	(175)	13,304	9,300	-	40,397	55,522	50,249
Vehicles	49,671	-	10,493	9,918	13,423	56,659	11,368	(39)	4,893	5,730	5,484	16,468	40,191	38,303
Intangible Assets														
Application Software	24,241	-	-	8,384	-	32,625	15,188	-	-	4,835	-	20,023	12,602	9,053
Prototype/ Product development	-	-	-	19,465	-	19,465	-	-	-	1,946	-	1,946	17,519	-
Non Compete Fee	-	-	73,179	-	-	73,179	-	-	-	7,320	-	7,320	65,859	-
	2,337,642	**(16,464)**	**746,692**	**426,535**	**58,814**	**3,435,591**	**722,416**	**(2,365)**	**183,051**	**204,428**	**9,525**	**1,098,005**	**2,337,586**	**1,615,226**
2008	1,500,856	-	151,126	698,247	12,587	2,337,642	596,899	-	-	131,953	6,436	722,416		
Capital Work-in-progress (CWIP) [Including capital advances Rs.29,779 (2008 :Rs.22,246)] (Note 4)													285,195	136,658
Capital Work-in-progress - Intangible Assets (Note 7)													25,295	36,736
													2,648,076	**1,788,620**

Notes:

1. Land and Development includes Leasehold Land Rs.11,134 (2008: Rs.11,134)
2. Net Block of Land and Development, Buildings and Electrical Installations includes value added on revaluation Rs.17,180 (2008: Rs.17,522) (Schedule 20 Note 23)
3. Includes Machinery leased to third parties Rs.21,333 (2008: Rs.21,333) [Schedule 20 Note 7 (b)]
4. Depreciation for the year on revalued amount comprise the following:-

	2009	2008
Buildings	313	313
Electrical Installations	29	29
	342	**342**

5. Plant and Machinery and Capital Work-in-Progress includes borrowing costs capitalised during the year Rs.9,741 (2008: Rs.14,599) [Schedule 20 Note 1(l)]
6. Book Value of Plant and Machinery is net of subsidy received from the Tamil Nadu Industrial Investment Corporation Limited Rs.1,877 (2008: Rs.1,877)
7. Depreciation for the year is reflected as follows:

	2009	2008
Depreciation as per Profit and Loss account	200,852	131,611
Transfer from Revaluation Reserve	342	342
Depreciation considered under intangible assets (including CWIP thereof)	3,234	-
	204,428	**131,953**

8. Assets acquired during the year is on account of purchase of the Wind Farm division and DM 38 Limited (Refer Schedule 20 Note 16) while that during the previous year is on account of merger of JKM Daerim Automotive Limited with the Company and acquisition of Hydraulics business unit of Sauer Danfoss Ltd, UK.

		2009 Rs.000	2008 Rs.000
6.	**Investments** [Schedule 20 Note 1 (j)]		
	Long term-Other than Trade- Unquoted		
	Fully Paid up Shares at Cost:		
	921,530 (2008: 921,530) Equity Shares of Rs.10 each of Murablack (India) Ltd.	**9,215**	9,215
		9,215	9,215
	Less: Provision for Dimunition in Value of Investments	**9,215**	9,215
		-	-
7.	**Inventories** [Schedule 20 Note 1 (d)]		
	Stores and Spares	**48,406**	45,917
	Raw Materials including Components [Note (a)]	**232,652**	236,169
	Rose Plants	**9,911**	12,463
	Work-in-Progress [Note (b)]	**128,894**	87,675
	Finished Goods	**242,535**	89,660
		662,398	471,884

Notes:

a) Includes in transit Rs.Nil (2008: Rs.8,370) and lying with third parties Rs.28,408 (2008: Rs.30,728)

b) Includes lying with third parties Rs.5,095 (2008: Rs.4,183) and in transit Rs.1,325 (2008: Rs.1,593)

		2009 Rs.000	2008 Rs.000
8.	**Sundry Debtors** (Unsecured)		
	Exceeding Six months		
	Considered Good	**109,174**	43,730
	Considered Doubtful	**19,673**	12,454
	Other Debts		
	Considered Good	**856,348**	747,953
	Considered Doubtful	**686**	-
		985,881	804,137
	Less: Provision for Doubtful Debts	**20,359**	12,454
		965,522	791,683
9.	**Cash and Bank Balances**		
	Cash on hand	**685**	690
	Balance with Scheduled Banks:		
	in Fixed Deposits [Note (a)]	**25,948**	2,000
	in Current Accounts	**204,581**	239,203
	Unpaid Dividend Accounts	**1,550**	1,478
	Margin Money Account [Note (b)]	**14,927**	10,500
		247,691	253,871

Notes:

a) Includes held under Section 3A of Companies (Acceptance of Deposit) Rules,1975

b) Under lien against Bank Guarantees

		2009 Rs.000	2008 Rs.000
10.	**Other Current Assets** (Unsecured, Considered Good)		
	Balance with Excise Authority	**187**	1,178
	Other Deposits	**25,336**	20,614
	Interest accrued	**47**	5,496
		25,570	27,288

		2009 Rs.000	2008 Rs.000
11.	**Loans and Advances** (Unsecured, Considered Good except as otherwise stated)		
	Inter-Corporate Loans	-	23,284
	Loans to Employees	**1,930**	1,576
	Prepaid Expenses	**25,143**	25,329
	MAT Credit Entitlement	**12,145**	-
	Fringe Benefit Tax (Net)	**2,122**	-
	Advances recoverable in cash or in kind or for value to be received [Including Rs.953 (2008: Rs.953) considered doubtful]	**145,963**	75,675
		187,303	125,864
	Less: Provision for Doubtful Advances	**953**	953
		186,350	124,911
12.	**Current Liabilities**		
	Acceptances	**342,064**	293,605
	Sundry Creditors	**427,537**	514,852
	Advance from Customers	**5,082**	2,731
	Forward Contract Liability [Schedule 20 Note (22)(b)]	**73,384**	-
	Unclaimed Dividend	**1,550**	1,477
	Other Liabilities (Schedule 20 Note 15)	**38,507**	32,660
	Interest Accrued but not due	**8,021**	3,041
		896,145	848,366
13.	**Provisions**		
	Gratuity	**4,309**	6,812
	Leave Encashment	**13,383**	11,507
	Product Warranty (Schedule 20 Note 11)	**3,508**	4,225
	Current Taxation (Net)	**677**	5,639
	Fringe Benefit Tax (Net)	**-**	290
	Wealth Tax	**282**	211
	Interim Dividend [Including taxes thereon Rs. 2,301 (2008: Rs.Nil)]	**15,838**	-
	Proposed Final Dividend [Including taxes thereon Rs.1,380 (2008: Rs.3,407)]	**9,502**	27,460
		47,499	56,144
14.	**Sales and Services** [Schedule 20 Note 1(e)]		
	Sales:		
	- Manufactured Goods	**4,335,351**	3,994,549
	- Traded Goods	**20,823**	36,244
	Services:		
	- Sub Contract Charges	**71,834**	15,853
	- Service Charges	**5,339**	5,766
	- Handling Charges	**1,135**	1,475
		4,434,482	4,053,887

			2009 Rs.000		2008 Rs.000
15.	**Other Income**				
	Interest				
	- Banks (Gross) [Tax deducted at source Rs.550 (2008: Rs.102)]		**7,179**		2,893
	- Others (Gross) [Tax deducted at source Rs.317 (2007: Rs.1,128)]		**1,704**		7,550
	Lease rent [Schedule 20 Note 7(b)]		**683**		819
	Sale of Scraps [Net of excise duty Rs.6,839 (2008: Rs.6,842)]		**53,688**		61,674
	Profit on Sale of Fixed Assets		**38,352**		-
	Liabilities no longer required written back		**627**		631
	Exchange Gain (Net)		-		29,042
	Miscellaneous income [Schedule 20 Note 16(I)(B)(iii)]		**10,604**		918
			112,837		103,527
16.	**Cost of Materials** (Note below)				
	Raw Materials and Components consumed		**2,213,748**		1,870,816
	Purchase of Traded Items		**16,277**		5,224
			2,230,025		1,876,040
	Movements in Stocks:				
	Opening Stock				
	- Work-in-Progress	**87,675**		44,370	
	- Finished Goods	**89,660**		48,152	
	Opening Stock on acquisition [Schedule 20 Note 16(I)(A)(b)]				
	- Work-in-Progress	**51,742**		30,833	
	- Finished Goods	**4,595**		18,895	
		233,672		142,250	
	Closing Stock:				
	- Work-in-Progress	**128,894**		87,675	
	- Finished Goods	**242,535**		89,660	
		371,429		177,335	
	(Increase)/ Decrease		**(137,757)**		(35,085)
	Excise Duty on Opening Stock of Finished Goods	**14,784**		9,641	
	Excise Duty on Closing Stock of Finished Goods	**10,109**		14,784	
	Increase/ (Decrease)		**(4,675)**		5,143
			2,087,593		1,846,098

Note: Includes value of stock written down Rs.5,815 (2008: Rs.3,671), and is after adjustment of shortages/excess, defectives, etc.

		2009 Rs.000	2008 Rs.000
17.	**Employee Cost**		
	Salaries, Wages and Bonus etc.	**676,287**	504,824
	Contribution to Provident and Other Funds (Schedule 20 Note 4)	**31,899**	32,661
	Staff Welfare Expenses	**86,297**	66,290
		794,483	603,775

		2009 Rs.000	2008 Rs.000
18.	**Other Operating Expenses**		
	Rent [Schedule 20 Note 7(a)]	**43,710**	30,631
	Rates and Taxes	**21,611**	15,338
	Power, Fuel and Utilities (Net) (Refer Schedule 20 Note 16(I)(B)(iii)]	**145,095**	107,774
	Stores and Spares [Includes write down Rs.Nil (2008: Rs.118)]	**158,859**	154,594
	Insurance	**21,970**	20,520
	Repairs and Maintenance		
	- Plant and Machinery	**41,837**	43,944
	- Buildings	**10,644**	12,929
	- Others	**37,431**	32,714
	Carriage Outward	**57,315**	41,938
	Travelling and Conveyance	**59,543**	49,128
	Security Charges	**15,289**	11,054
	Printing and Stationery	**6,844**	7,859
	Communication	**12,372**	10,765
	Professional and Consultancy Charges (Schedule 20 Note 3)	**47,955**	33,338
	Exchange Loss (Net)	**18,219**	-
	Amortisation of Foreign Currency Monetary Item Translation Difference Account (Schedule 20 Note 18)	**53,173**	-
	Product Warranty (Schedule 20 Note 11)	**2,028**	5,915
	Technical Assistance Charges	**1,664**	1,019
	Advertisement and Sales Promotion	**5,366**	4,124
	Packing Expenses (Net)	**8,336**	7,544
	Discount on Sales	**8,617**	3,104
	Bank Charges	**23,263**	16,102
	Donations	**29**	507
	Directors Sitting Fees	**795**	1,420
	Loss on Sale/ Scrapping of Fixed Assets	**-**	1,460
	Bad Debts/ Advances written off	**979**	1,612
	Provision for Bad and Doubtful Debts/ Advances	**7,905**	5,034
	Impairment of Goodwill arising on Consolidation [Schedule 20 Note 16(I)(A)(a)]	**32,385**	-
	Miscellaneous Expenses Written Off	-	42
	Miscellaneous Expenses	**16,516**	23,179
		859,750	643,588
19.	**Interest**		
	On Fixed Loans	**113,613**	59,447
	On Others	**73,934**	48,374
		187,547	107,821

Rs.000

20. NOTES ON ACCOUNTS

1 **Significant Accounting Policies**

a **Basis of Preparation of Consolidated Financial Statements:**

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

i) Under historical cost concept and accrual basis [except for certain financial instruments which are measured at fair values (Note 22 below)], in accordance with the Generally Accepted Accounting Principles (GAAP) in India, the Accounting Standards notified under Section 211(3C) of the Companies Act, 1956, of India (the Act) and the relevant provisions of the Act.

ii) In accordance with Accounting Standard (AS 21) on Consolidated Financial Statements. The Consolidated Financial Statements are prepared by adopting uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's separate financial statement.

Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

The difference between the cost of investment in the subsidiaries over the Company's portion of equity of the subsidiary is recognised in the financial statements as Goodwill or Capital Reserve.

b **Principles of Consolidation:**

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

c **Subsidiaries Considered in the Consolidated Financial Statements**

Sl. No	Name of the Company	Country of Incorporation	Proportion of Ownership interest (%)	
			2009	2008
1	JKM Research Farm Limited	India	99.99	99.99
2	JKM Global Pte Limited (JGPL)	Singapore	100	100
3	Dynamatic Limited (DL) (Subsidiary of JGPL)	United Kingdom	100	100
4	DM 38 Limited (DM 38) (Subsidiary of JGPL)*	United Kingdom	100	-
5	Yew Tree Investments Limited (YTL)(Subsidiary of DM 38)*	United Kingdom	100	-
6	Oldland Aerospace Limited (formerly Oldland CNC Limited) (OLCL)(Subsidiary of YTL)*	United Kingdom	100	-

* acquired during the year

d **Inventories:**

Inventories are valued at lower of cost and market price/ net realisable value. Cost is generally determined under First-In-First-Out method.

Consumable Stores and Spares are treated as consumed on issue to production.

e **Revenue Recognition and Product Warranty:**

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

Revenue from services is recognised as the services are provided.

Product warranties ranging for a period from 1 to 2 years against manufacturing and other defects, as per terms of contracts with the customers, are provided for based on estimates made by the management (Note 11 below).

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

f (i) **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.

Certain Land, Building, Plant and Machineries and Electrical Installations are stated at valuations made by a professional valuer in 1991-92 at the then current value (Note 23 below).

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

Depreciation is provided on a straight line method at rates prescribed in Schedule XIV to the Companies Act, 1956, except for the following, which is based on management's estimate of useful lives of the assets concerned. (Note 19 below).

Rs.000

Particulars of Fixed Assets	Rate of depreciation
Data Processing Equipments	25%
Furniture and Fixtures	10%
Office Equipment	
Mobile Phones	50%
Others	20%

Depreciation on revalued items of Fixed Assets is calculated on their respective revalued amounts at rates considered applicable by the valuers on straight line method as against the methods/rates/bases which would have otherwise been adopted for the purpose of the annual accounts of the Company and accordingly includes additional depreciation charge. An amount equivalent to the aforesaid additional depreciation charge is transferred to the credit of the Profit and Loss Account from Revaluation Reserve (Note 23 below).

f (ii) Intangibles :

An intangible asset is recognised only if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably.

Amortisation is provided on a pro-rata basis on straight-line method over the estimated useful lives of the assets, not exceeding ten years as detailed below:

Particulars of Intangible Assets	Rate of amortisation
Application Software	25%
Prototype/ Product development	12.5% - 10%
Non Compete Fee	20%

Goodwill arising on consolidation is not amortised [Note 1(r) below]

g Foreign Currency Transactions:

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

2 Liabilities/ assets in foreign currencies are reckoned in the accounts as per the following principles: All monetary assets and liabilities denominated in foreign currency are restated at the rates ruling at the year end and the exchange gains/losses arising therefrom are adjusted to the Profit and Loss Account, except in case of exchange differences relating to long-term monetary items which are dealt with in the following manner:

(i) In so far as they relate to the acquisition of a depreciable capital asset are added to/ deducted from the cost of the asset and depreciated over the balance life of the asset (Also refer Note 18 below).

(ii) In other cases, such exchange differences are accumulated in a “Foreign Currency Monetary Item Translation Difference Account” and amortised over the balance term of the long-term monetary items but not beyond March 31, 2011 (Also refer Note 18 below).

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

h Derivatives:

In accordance with its Risk management policies and procedures, the company uses derivative instruments such as foreign currency forward contracts and currency options to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and highly probable forecasted transactions.

Effective April 1, 2008, the Company has applied the principles of AS 30 ‘ Financial Instruments: Recognition and Measurement’, to the extent that the application of the principles did not conflict with existing accounting standards and other authoritative pronouncements of the Company Law and other regulatory requirements. The derivatives that qualify for hedge accounting and designated as cash flow hedges are initially measured at fair value and are re-measured at a subsequent reporting date and the changes in the fair value of the derivatives i.e. gain or loss is recognised directly in shareholders’ funds under hedging reserve to the extent considered highly effective. Gain or loss upon fair value on derivative instruments that either do not qualify for hedge accounting or are not designated as cash flow hedges or designated as cash flow hedges to the extent considered ineffective, are recognised in the Profit and Loss Account.

To designate a forward or option contracts as an effective hedge, the management objectively evaluates and evidences with appropriate supporting documents at the inception of each contract whether the contract is effective in achieving offsetting cash flows attributable to the hedged risk.

Hedge accounting is discontinued when the hedging instrument expires, sold, terminated, or exercised, or no longer qualifies for hedge accounting. The cumulative gain or loss on the hedging instrument recognised in shareholder’s funds under hedging reserve is retained there until the forecasted transaction occurs subsequent to which the same is adjusted against the related transaction in profit and loss account.

If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in shareholder’s fund is transferred to Profit and Loss Account in the same period.

i 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.

j Investments:

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

k Employee Benefits (Note 4 below):

i) Defined Contribution Plan

Contributions to the Employees' Provident Fund, Employees' Pension Scheme, Employees' State Insurance, Scottish Equitable and Standard Life are as per statute/ Group policy and are recognised as expenses during the period in which the employees perform the services.

ii) Defined Benefit Scheme

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

iii) Other Long Term Employee Benefits

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

iv) Short Term Employee Benefits

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

l Interest on Borrowings:

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

m Segment Reporting:

Identification of segments:

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

Inter-segment Transfers

The Group accounts for Inter-Segment sales and transfers as if the sales or transfers were to third parties at current market prices, which are eventually eliminated.

Allocation of common costs

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

Unallocated items

Includes general corporate expense items which are not allocable to any business segment.

n Leases:

Assets acquired under leases, where the Group has substantially all the risks and rewards of ownership, are treated 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 / given 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 accounted in the Profit and Loss Account on accrual/ straight line basis (Note 7 below).

o Earnings per Share:

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

p Taxation:

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

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

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

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

q Research and Development (R&D) (Note 10 below):

Tangible fixed assets acquired for R&D activities are capitalised under respective category of fixed assets and depreciated as explained in Note (f)(i) above.

Intangible assets relating to R&D activities are capitalised and amortised as explained in Note (f)(ii) above.

The revenue expenses incurred on R&D (except for those qualifying for recognition as Intangible assets) are expensed off in Profit and Loss Account.

r Impairment of Assets:

At each Balance Sheet date, in respect of tangible and intangible assets in use, the Group assesses whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount and if this is lower than the carrying amount of the asset, an impairment loss is recognised in the Profit and Loss Account to the extent the carrying amount exceeds recoverable amount (Note 20 below).

However, the following assets are reviewed for impairment at each Balance Sheet date:

(i) Intangible assets under Capital Work-in-Progress

(ii) Intangible assets whose life is estimated to exceed ten years

(iii) Goodwill arising on Consolidation

s **Provisions:**

Provisions are recognised when the Group has a present obligation as a result of past events, for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

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

				Rs.000
			2009	2008
2	a)	**Capital Commitments**		
		Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided	65,286	119,889
	b)	**Contingent Liabilities**		
		Corporate Guarantees given on behalf of subsidiaries	813,858	356,000
		Income tax matters under dispute	1,519	1,519
3		**Auditors' Remuneration:** (included in Professional and Consultancy Charges in Schedule - 18)		
	-	Audit Fees (Including Rs.800 for earlier year (2008: Rs.Nil)	10,169	6,924
	-	Others	5,063	1,933
	-	Reimbursement of out of pocket expenses	129	1
			15,361	**8,858**
4	a)	**Employee Benefits**		
		i) Gratuity:		
		The Company provides for gratuity, a defined benefit plan (the Gratuity Plan), to its employees. The Gratuity Plan provided a lump sum payment to eligible employees at retirement or termination of employment, being an amount based on the respective employee's last drawn salary and years of employment with the Company. The Company has employee's gratuity funds managed by an Insurance Company.		
		A) Reconciliation of opening and closing balances of the present value of the defined benefit obligation		
		Obligations at the beginning of the year	39,018	30,374
		Add: Current Service cost	6,279	9,552
		Add: Interest cost	2,629	2,632
		Add/ (Less): Actuarial losses/ (gains) due to change in assumptions	22	(326)
		(Less): Benefits paid during the year	(2,939)	(3,214)
		Obligations at the end of the year	**45,009**	**39,018**
		B) Reconciliation of opening and closing balances of the fair value of plan assets		
		Fair Value of Plan assets at the beginning of the year	32,206	25,568
		Add: Expected Return on Plan Assets	2,788	2,200
		Add: Actuarial Gain	430	454
		Add: Contributions	8,215	7,198
		(Less): Benefits Paid	(2,939)	(3,214)
		Fair Value of Plan assets at the end of the year	**40,700**	**32,206**

		2009	Rs.000 2008
C)	**Reconciliation of present value of defined benefit obligation and the fair value of plan assets to the assets and liabilities recognised in the Balance Sheet:**		
	Present Value of Obligation as at the end of the year	45,009	39,018
	(Less): Fair Value of Plan Assets as at the end of the year	40,700	32,206
	Amount recognised in the Balance Sheet	**4,309**	**6,812**
D)	**Expenses recognised in Profit and Loss Account under "Employee Cost" in Schedule 17:**		
	Current service cost	6,279	9,552
	Add: Interest cost	2,629	2,632
	(Less): Expected Return on Plan Assets	(2,788)	(2,200)
	(Less): Actuarial gains due to change in assumptions	(409)	(780)
		5,711	**9,204**
E)	**Investment details of plan assets**		
	Fund balance with Insurance Company	100%	100%
	Based on the above allocation and the prevailing yields on these assets, the long term estimate of the expected rate of return on fund assets has been arrived at. Assumed rate of return on assets is expected to vary from year to year reflecting the returns on matching government bonds.		
F)	**Actual return on plan assets**	8%	8%
G)	**Assumptions**		
	Discount rate per annum	7%	8%
	Interest rate per annum	7%	8%
	Expected return on plan assets	8%	8%
	Expected salary increase per annum	6%	6%
	Mortality rate	LIC 1994-96 published table of mortality rate	
	The estimates of future increase in salary, considered in the actuarial valuation, have been taken on account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.		
	As per management estimate, contribution of Rs. 4,800 (2008: Rs.8,400) is expected to be paid to the plan during the year ending March 31, 2010.		

ii) Defined Contribution Plans

Contribution to Provident and Other Funds under Employee's costs (Schedule 17) includes Rs.26,188 (2008: Rs.23,457) being expenses debited under the following defined contribution plans:

		2009	2008
	Provident Fund and Pension Scheme	15,813	13,984
	Employee State Insurance	2,041	1,859
	Scottish Equitable	6,715	7,614
	Standard Life	1,619	-
	Total	**26,188**	**23,457**
b)	Directors' Remuneration (Notes below)	30,852	18,118

Notes:

1) Including perquisites evaluated as per Tax Laws

2) Excluding contribution to Group Gratuity Fund and Provision for Leave Encashment and Bonus

5 Segment Information

a) Information about Primary Business Segments

The primary segment reporting is based on the business segments of the Group, namely;:

- Hydraulic and Precision Engineering - comprising of Hydraulic Pumps, Hand Pumps, lift assemblies, valves, powerpacks etc
- Aluminium Castings - comprising of castings for automotive components
- Automotive Components - comprising of Case Front, Water Pumps, Intake manifolds, Exhaust manifold etc
- Aerospace - comprising of Airframe Structures, Precision Aerospace Components, etc
- Windfarm - Generation of Power through Wind Energy
- 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.

Rs.000

	Particulars	Hydraulic and Precision Engineering		Aluminium Castings		Automotive Components		Aerospace		Wind farm		Research Farm		Unallocated		Total	
		2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
A	**Primary Segment Reporting**																
(i)	**Revenue**																
	External - Sales and Services	1,944,329	1,895,330	409,463	365,542	2,142,545	2,138,910	348,261	17,454	579	-	-	-	-	-	4,845,177	4,417,236
	Less: Excise duty	(110,570)	(139,999)	(441)	-	(265,502)	(353,531)	(1,747)	(751)	-	-	-	-	-	-	(378,260)	(494,281)
	Inter-Segment Sales and Services	(3,954)	(1,586)	(406,162)	(361,763)	-	-	-	-	(579)	-	-	-	-	-	(410,695)	(363,349)
	Other Income	18,289	48,661	17,150	12,374	17,447	22,510	41,853	(2,612)	9,141	-	4,274	4,200	30,295	34,282	138,449	119,415
	Inter-Segment Income	-	-	-	-	-	-	-	-	-	-	(4,200)	(4,200)	(21,412)	(11,688)	(25,612)	(15,888)
	Total Revenue	1,848,094	1,802,406	20,010	16,153	1,894,490	1,807,889	388,367	14,091	9,141	-	74	-	8,883	22,594	4,169,059	3,663,133
(ii)	**Result**																
	Segment Result - EBIDA-Profit/(Loss)	125,723	248,800	46,068	53,100	168,691	234,601	122,932	(970)	5,170	-	(12,186)	(3,386)	3,220	37,527	459,618	569,672
	(Less): Depreciation	(52,136)	(39,042)	(24,601)	(16,826)	(85,601)	(69,986)	(29,079)	(5,017)	(8,695)	-	(740)	(740)	-	-	(200,852)	(131,611)
	(Less): Provision for Impairment on Goodwill arising on Consolidation	-	-	-	-	-	-	(32,385)	-	-	-	-	-	-	-	(32,385)	-
	Segment Result - Profit/(Loss)	73,587	209,758	21,467	36,274	83,090	164,615	61,468	(5,987)	(3,525)	-	(12,926)	(4,126)	3,220	37,527	226,381	438,061
	(Less): Interest Expense	-	-	-	-	-	-	-	-	-	-	-	-	(187,547)	(107,821)	(187,547)	(107,821)
	(Less): Extraordinary/Exceptional Item	-	(28,541)	-	-	-	(251)	(6,425)	-	(2,680)	-	-	-	(26,200)	-	(35,305)	(28,792)
	Profit/(Loss) before Taxation	73,587	181,217	21,467	36,274	83,090	164,364	87,428	(5,987)	(6,205)	-	(12,926)	(4,126)	(210,527)	(70,294)	3,529	301,448
	(Less) : Provision for Taxation	-	-	-	-	-	-	-	-	-	-	-	-	(55,811)	(120,961)	(55,811)	(120,961)
	Net Profit/(Loss)	73,587	181,217	21,467	36,274	83,090	164,364	87,428	(5,987)	(6,205)	-	(12,926)	(4,126)	(266,338)	(191,255)	(52,282)	180,487
(iii)	**Reconciliation of Segment Revenue with the Financial Statements**																
	Total Revenue - Sales and Services															4,056,222	3,559,606
	Other Income															112,837	103,527
	As per Financial Statements															4,169,059	3,663,133
(iv)	**Other Information**																
	Segment Assets	1,295,060	1,302,509	357,438	340,467	1,537,188	1,304,783	1,259,078	205,809	319,094	-	26,825	35,817	326,110	268,872	5,120,793	3,458,257
	Segment Liabilities	232,678	846,360	70,388	134,135	443,571	732,570	129,283	60,016	824	-	998	988	3,121,444	1,036,451	3,999,186	2,810,520
	Capital Expenditure	84,597	174,675	42,200	74,464	190,561	350,511	671,195	136,356	320,813	-	957	-	-	-	1,310,323	736,006
	Depreciation	52,136	39,042	24,601	16,826	85,601	69,986	29,079	5,017	8,695	-	740	740	-	-	200,852	131,611
	Other Non-Cash Expenses/ (Income)	60	6,640	(20)	1,508	4,221	3,065	(41,404)	259	-	-	2,570	-	-	-	(34,573)	11,472

B Secondary Segment Reporting

The Group operates in the domestic market and also exports goods to various countries. Accordingly, secondary segment reporting disclosures, as applicable, are given below on a geographic segment basis.

Segment Revenue, Assets and Liabilities include the respective amounts identifiable to each of the following segments and allocated on a reasonable basis.

	Asia		Europe		Total	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**
Revenue by Geographical Markets	2,727,660	2,599,191	1,441,399	1,063,942	4,169,059	3,663,133
Carrying amount of Segment Assets	3,949,496	2,786,909	1,171,297	671,350	5,120,793	3,458,259
Capital Expenditure	866,125	571,059	444,198	164,948	1,310,323	736,007

Rs.000

6 Related Party Disclosure

A Names of Related Parties and Description of Relationship

(a) Companies over which key management personnel or relatives of such personnel are able to exercise significant influence (Other Related Entities)	Christine Hoden (India) Private Limited (CHIPL) Greenearth Biotechnologies Limited (GBL) JKM Holding Private Limited (JHPL) JKM Human Resources Private Limited (JHRPL) JKM Offshore (India) Private Limited (JOIPL) Primella Sanitary Products Private Limited (PSPPL) Udayant Malhoutra and Co Private Limited (UMCPL) Vita Private Limited (VPL) Wavell Investments Private Limited (WIPL)
(b) Key Management Personnel (i) Executive Directors	Udayant Malhoutra - Chief Executive Officer and Managing Director V Sunder - President and Group Chief Financial Officer B Seshnath - Executive Director and Chief Marketing Officer N Rajagopal - Executive Director and Chief Operating Officer Ian Patterson -Group Technical Director Raymond Keith Lawton - Executive Director and Chief Operating Officer DL, U.K. James Tucker - Operations Director, DM 38 Limited, U.K. Claire Tucker - Finance and Systems Director, DM 38 Limited, U.K.
(ii) Non Executive Directors	Vijai Kapur Dr K Aprameyan Air Chief Marshal S Krishnaswamy (Retd.) Govind Mirchandani S Govindarajan Malavika Jayaram Shanti Ekambaram (up to March 04, 2009)
(c) Relatives of Key Management Personnel (Relatives)	Pramilla Malhoutra Udita Malhoutra Barota Malhoutra

B Summary of Transactions with Related Parties is as follows:

	Description of Relationship	2009			2008		
	Related Party	Other Related Entities A(a)	Key Management Personnel A(b)	Relatives A(c)	Other Related Entities A(a)	Key Management Personnel A(b)	Relatives A(c)
i	**Other Income**						
	Interest						
	- GBL	691	-	-	2,035	-	-
ii	**Expenses**						
	Rent						
	- VPL	300	-	-	300	-	-
	- JHPL	-	-	-	84	-	-
	- N Rajagopal	-	480	-	-	356	
	- Pramilla Malhoutra	-	-	1,400	-	-	1,129
	- Udita Malhoutra	-	-	300	-	-	285
	Salaries and Wages						
	- JHRPL	32,089	-	-	18,160	-	-
	Interest						
	- J K Malhoutra	-	-	-	-	100	-
	Managerial Remuneration						
	- Udayant Malhoutra	-	2,007	-	-	1,683	-
	- N Rajagopal	-	2,124	-	-	1,774	-
	- V Sunder	-	3,053	-	-	2,627	-
	- B Seshnath	-	2,048	-	-	1,524	-
	- Raymond Keith Lawton	-	6,331	-	-	5,644	-
	- Ian Patterson	-	5,673	-	-	4,866	-
	- James Tucker	-	4,808	-	-	-	-
	- Claire Tucker	-	4,808	-	-	-	-

Rs.000

Related Party Disclosure (cont'd.)

	Description of Relationship	2009			2008		
	Related Party	**Other Related Entities A(a)**	**Key Management Personnel A(b)**	**Relatives A(c)**	**Other Related Entities A(a)**	**Key Management Personnel A(b)**	**Relatives A(c)**
	Directors sitting Fees						
	- Air Chief Marshal						
	S Krishnaswamy (Retd.)	-	225	-	-	360	-
	- Dr. K Aprameyan	-	180	-	-	320	-
	- Vijai Kapur	-	105	-	-	255	-
	- B Seshnath	-	-	-	-	150	-
	- Malavika Jayaram	-	90	-	-	-	-
	- Shanti Ekambaram	-	45	-	-	150	-
	- Govind Mirchandani	-	90		-	-	
	- Others	-	60	-	-	185	-
iii	**Dividend**						
	Interim Dividend						
	- JHPL	2,008	-	-	2,008	-	-
	- JOIPL	1,037	-	-	1,037		
	- UMCPL	1,543	-	-	-	-	-
	- Udayant Malhoutra	-	2,364	-	-	2,627	-
	- Others	300	-	12	300	-	12
	Final Dividend						
	- JHPL	1,205	-	-	4,016	-	-
	- JOIPL	622	-	-	2,074	-	-
	- UMCPL	926	-	-	3,086	-	-
	- Udayant Malhoutra	-	1,418	-	-	5,254	-
	- Others	180	-	7	600	1	25
iv	**Loans repaid by the Company**						
	during the year						
	- J K Malhoutra	-	-	-	-	800	-
v	**Loans repaid to the Company**						
	during the year						
	- GBL	18,500	-	-	-	-	-
vi	**Shares Issued during the year**						
	pursuant to Merger [Note (16) (II) (ii)]						
	- UMCPL	-	-	-	6,171	-	-
vii	**Balances as on March 31, 2009**						
	Outstanding Payables						
	- JHRPL	3,525	-	-	1,757	-	-
	- UMCPL	2,469	-	-	3,086	-	-
	- JHPL	3,213	-	-	4,016	-	-
	- JOIPL	1,659	-	-	2,074	-	-
	- Udayant Malhoutra	-	3,782	-	-	5,254	-
	- Others	480	-	19	606	1	25
	Outstanding Receivables						
	- GBL	-	-	-	2,718	-	-
	- VPL	-	-	-	3,500	-	-
	- Pramilla Malhoutra	-	-	-	-	-	800
	- N Rajagopal	-	-	-	-	200	-
	- Udita Malhoutra	-	-	-	-	-	2
	Outstanding Loans Receivables						
	- GBL	-	-	-	18,500	-	-

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

Rs.000

7 Leasing Arrangements:

a) Premises, vehicles and other facilities (including those for employee residences) are taken on operating lease. Such leases are generally for a period of 11 to 60 months with options of renewal against increased rent and premature termination of agreement through notice period of 2 to 3 months. The particulars of those leases are as follows:

	Rs.000	
	2009	2008
Lease rentals [including Minimum Lease Payment Rs. 29,137 (2008: Rs.23,947)]		
- Included in Rent (Schedule 18)	52,110	30,631
There are no contingent rents.		
Obligations on non-cancellable lease:		
Not later than one year	57,359	32,022
Later than one year and not later than five years	94,574	48,106
Later than five years	3	-

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.

Lease payments received		
- Included in Other Income (Schedule 15)	683	819
Details of Assets given on Operating Lease:		
Plant and Machinery		
- Gross Value	21,333	21,333
- Accumulated Depreciation	17,547	16,864
- Depreciation for the year	683	819

8 Earnings per share :

a) Before Extraordinary/ Exceptional items:		
Net Profit after tax available for equity shares	(16,977)	209,279
Basic/Weighted Average number of Equity Shares of Rs.10 each	5,199	4,204
Basic and Diluted Earnings Per Share (Rs.)	(3.27)	49.78
b) After Extraordinary/ Exceptional items:		
Net Profit after tax available for equity shares	(52,282)	180,487
Basic/Weighted Average number of Equity Shares of Rs.10 each	5,199	4,204
Basic and Diluted Earnings Per Share (Rs.)	(10.06)	42.94

9 Taxation :

a) The provision for the year is net of reversal of excess tax provision made in earlier years aggregating to Rs.8,606 (2008: Rs. Nil).

b) 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	4,732	4,622
- Provision towards warranty	807	1,352
- Provision towards doubtful debts and advances	5,576	4,453
- Others	15,775	2,193
	26,890	12,620
(B) (Less): Deferred Tax Liabilities arising from:		
(ii) Difference between carrying amount of fixed assets in the financial statements and the Income Tax Return [Note (p) above]	(245,502)	(166,688)
Net Deferred Tax Liability carried to Balance Sheet (A-B)	(218,612)	(154,068)
Movement in Deferred Tax (Liability) / Asset	(64,544)	(43,917)
Accounted as:		
Credit/ (Charge) in Profit and Loss Account under "Provision for Taxation"	(58,705)	(43,917)
Deferred tax credit adjusted to opening balance of General Reserve pursuant to notification amending Accounting Standard 11 (Note 18 below)	3,228	-
Deferred Tax liability acquired on acquisition of subsidiaries	(9,067)	-
	(64,544)	(43,917)

			2009	Rs.000 2008
10	**Research and Development (R&D):**			
	a) Fixed Assets used for R&D activities (Gross Block)			
	Building		103,101	92,615
	Plant and Machinery		76,296	76,099
	Measuring Instruments		6,238	3,261
	Electrical Installations		12,514	11,764
	Data Processing Equipments		35,555	35,555
	Office Equipments		2,866	4,105
	Furniture and Fixtures		7,482	7,482
			244,052	**230,881**
	b) Income and Expenditure, of R&D Centres has been included under respective heads of accounts in the Profit and Loss Account are as below:-			
	Income:			
	Income from Services		8,003	5,415
	Expenditures:			
	Material Consumed		2,818	920
	Employee Cost		28,794	18,478
	Interest		540	540
	Other Operating Expenses		11,831	12,998
	Depreciation		10,808	8,380
			54,791	**41,316**
11	**Provisions:**			
	Product Warranty [Note 1(e) above]			
	At beginning of the year		4,225	1,655
	Add: Provisions made during the year		3,143	5,915
	Less: Utilised during the year		2,745	3,345
	Lees: Reversed during the year		1,115	-
	At the end of the year		**3,508**	**4,225**
12	**Extraordinary/ Exceptional Items:**			
	a) Merger Expenses [Note 16(II)(ii) below]		-	2,602
	b) Pre-acquisition expenses/ (income) related to purchase of Windfarm [Note 16(I)(B)(ii) below]:			
	(i) Revenue from power generation	(1,966)		
	(ii) Finance charges	4,646	2,680	-
	c) Formation expenses - DL UK [Note 16(II)(i) below]		-	26,190
	d) Acquisition expenses - DM 38 [Note 16(I)(A)(c) below]		32,625	-
			35,305	**28,792**
13	(i) The Company has imported certain machinery under the 'Export Promotion Capital Goods' (EPCG) scheme. According to the said scheme, the Company is entitled to import machinery at concessional customs duty with an obligation to export Rs. 145,468 (2008: Rs.349,719) within a period of eight years.			
	The details of export obligation are as under:			
	Export Obligation at the beginning of the year		349,719	435,935
	Add: Export Obligation accrued during the year		17,415	105,109
	(Less): Exports made during the year		(221,666)	(191,325)
	Export Obligation as at the end of the year		**145,468**	**349,719**
	(ii) The Company has imported certain Raw materials and Components under the 'Advance Licence' scheme. According to the said scheme, the Company is entitled to import Raw material and Components with exemption on customs duty with an obligation to export Rs. Nil (2008: Rs.15,318) within a period of two years.			
	The details of export obligation are as under:			
	Export Obligation at the beginning of the year		15,318	12,315
	Add: Export Obligation accrued during the year		-	51,738
	(Less): Exports made during the year		(15,318)	(48,735)
	Export Obligation as at the end of the year		**-**	**15,318**

Rs.000

14 The Company was allowed to defer the payment of Sales taxes in respect of its automotive division and foundry division for a period of nine years in each case. The sales taxes so deferred is in the nature of interest free unsecured loan repayable after the expiry of the deferment period, on a year to year basis (the first repayment falls due in September 2010) . Accordingly, the sales tax loan aggregating to Rs 44,408 (Rs.16,294 in respect of the JKM Automotive Division and Rs.28,114 in respect of the Foundry Division) (2008: Rs 44,373) so deferred has been disclosed as Unsecured Loan under Schedule 4 of the accounts.

15 Motor cars purchased under Hire Purchase Agreements have been given to certain employees for their use under the terms the said cars will be transferred to the related employees at Rs.180 per car after 5 years. The aforesaid amount is deductible in 60 monthly equal instalments from their salary. The deduction at the year end Rs. 2,934 (2008: Rs.1,939) has been considered as deposits received from employees and included under Current Liabilities.

16 (I) Acquisitions during the year

A) Acquisition of Subsidiaries

a) During the year, the Company acquired through its wholly owned subsidiary, JKM Global Pte Limited, the entire share capital of DM 38 Limited (viz., 4,300,000 shares of Great Britain Pound (GBP) 1 each), which in turn holds the entire share capital of YTL Limited and OLCL for a consideration of Rs.731,787. On consolidation of these new subsidiaries, 'Goodwill on Consolidation' has been recognised in the consolidated accounts.

The Goodwill on Consolidation as at March 31, 2009 has been arrived at as follows:

Initial recognition on acquisition of aforesaid new subsidiaries	355,189
(Less): Impairment loss recognised *	(32,385)
	322,804

* Arising from sale of a property of YTL, a subsidiary leading to an impairment of the said Goodwill by Rs.32,385

b) Pursuant to the acquisition of shares referred to Note (a) above, the Consolidated Balance Sheet as at March 31, 2009 include assets and liabilities relating to the aforesaid new subsidiaries as given below:

Liabilities		
Secured Loans		374,235
Deferred Tax Liability		6,793
Current Liabilities		91,966
Provision		16,638
Assets		
Fixed Assets (Gross Block)	387,375	
Less: Accumulated depreciation	193,674	
		193,701
Good Will arising on account of Consolidation [after impairment, refer Note(a) above]		322,804
Inventories		96,938
Sundry Debtors		119,468
Cash And Bank Balances		73,017
Loans and advances		3,601
Profit/(Loss) after tax for the year		9,367

c) The expenses related to purchase of aforesaid shares amounting to Rs.32,625 (2008: Rs.Nil) has been treated as extraordinary/ exceptional item in the profit and loss account (Refer Note 12 above).

B) Acquisition of Windfarm Business:

(i) Pursuant to agreements dated September 1, 2008 with Tamilnadu Petroproducts Limited, the Company has during the year acquired movable and immovable assets of a Wind Farm located in Coimbatore at book value for a consideration of Rs.320,813 as detailed below:-

Land	171,515
Building	7,630
Plant and Machinery	141,506
Other Assets	162
	320,813

(ii) Consequent to delay in the execution of the agreements, subsequent to payment of advance for purchase of the windfarm, certain related income and expenses accrued/ incurred during the period (post payment of the advance but before the execution of the agreements) amounting to Rs.2,680 have been treated as exceptional item (Refer Note 12 above).

(iii) Income from sale of power to Electricity Board aggregating to Rs.9,141, pending transfer of Power Supply Agreement in favour of the Company has been included under Miscellaneous Income in Schedule 15 and income from sale of power to Electricity Board subsequent to the transfer of the said agreement amounting to Rs. 579 has been netted off against power cost in Schedule 18.

(II) Acquisitions during the previous year:

(i) In the previous year, Dynamatic Limited, U.K (a subsidiary) acquired the assets and liabilities relating to the Hydraulics business of Sauer Danfoss Limited as a going concern on slump sale basis. The expenses relating to the formation of this business amounting to Rs.26,190 has been treated as extraordinary/ exceptional item in the Profit and Loss Account in the previous year.

(ii) In the previous year, the High Court of Karnataka approved the scheme of amalgamation of JKM Daerim Automotive Limited, the transferor Company engaged in manufacture of Automotive components with the Company with effect from April 1, 2007. The expenses relating to Merger amounting to Rs.2,602 has been treated as an extraordinary/exceptional item in the profit and loss account in the previous year.

17 In respect of JKM Research Farm Limited (JRFL), a subsidiary company:

a) Advances on capital account include Rs.8,848 (Rs.7,891) towards land and its development cost pending transfer of ownership in favour of JRFL. In respect of a portion of land measuring 49 acres and 4 guntas, a suit has been filed with the Civil Judge (Senior division), Doddaballapur Court by JRFL against the transferor for specific performance of the contract. JRFL has obtained an ad-interim injunction against the trasferor from alienating the property.

b) As per its audited accounts, inventory amounting to Rs.9,911 (2008: Rs.12,463) and debtors amounting to Rs.2,287 (2008: Rs.4,734) have been considered as good and recoverable which has been relied upon by the Group auditors for the purpose of consolidated accounts.

18 Pursuant to the Notification No. G.S.R. 225(E) dated March 31, 2009 issued by the Ministry of Corporate Affairs, the Group has opted to adjust the exchange differences relating to long term monetary items as explained in Note 1(g) above with retrospective effect from April 1, 2007 vis-à-vis recognition of aforesaid exchange differences as income/ expense in the Profit and Loss Account of the earlier years.

Accordingly;

a) Foreign exchange gain amounting to Rs.9,498 and foreign exchange loss amounting to Rs.82,529 for the years ended March 31, 2008 and March 31, 2009 respectively, have been adjusted to the cost of fixed assets with corresponding impact on opening balance of general reserve and foreign exchange loss for the year. Consequently, an amount of Rs.9,498 (gain) has been reduced from the cost of fixed assets and Rs.6,270 (net of related deferred tax credit of Rs.3,228) has been debited to the General Reserve.

b) Foreign exchange gain amounting to Rs.16,540 and foreign exchange loss amounting to Rs.128,380 for the years ended March 31, 2008 and March 31, 2009 respectively have been accumulated in 'Foreign Currency Monetary Item Translation Difference Account' with corresponding impact on opening balance of general reserve and foreign exchange loss for the year. Consequently, an amount of Rs.16,540 (net of related deferred tax credit of Rs.Nil) has been debited to the General Reserve and correspondingly credited to 'Foreign Currency Monetary Item Translation Difference Account'.

The amount accumulated in the 'Foreign Currency Monetary Item Translation Difference Account' has been amortised as explained in Note 1(g) above. The amortisation relating to year ended March 31, 2008 amounting to Rs.3,715 has been credited to General Reserve and the amortisation for the year ended March 31, 2009 amounting to Rs.53,173 has been debited to the Profit and Loss Account. The unamortised balance as at March 31, 2009 amounts to Rs.62,382.

Had the Group not opted to apply the aforesaid notification, loss for the year would have been higher by Rs. 148,237, having consequential impact on the net worth of the Group.

19 Depreciation on Office Equipments and Furniture and Fixtures which hitherto were depreciated at 4.75% p.a and 6.33% p.a respectively, are from current year depreciated at the rate of 20% p.a and 10% p.a respectively, resulting in additional depreciation charge of Rs.8,513 for the current year having consequential effect on the loss for the year and on the net worth of the Group.

20 The Group has re-evaluated the recoverable amount of its assets as at the year end and there were no indications that the assets were impaired, except for Goodwill arising on Consolidation, which has been impaired to the extent of Rs.32,385 [(refer Note 16(I)(A)(a) above], for which necessary adjustments have been made in the accounts.

		2009	Rs.000 2008
21 a)	**Secured Loans:**		
	From Banks		
	(i) Term Loan:		
	- In Rupees		
	Secured, ranking pari passu among the lenders,by way of first charge on immovable fixed assets.	38,773	62,384
	Secured, ranking pari passu among the lenders,by way of first charge on movable and immovable fixed assets.	28,125	56,236
	Secured, ranking pari passu among the lenders,by way of first charge on movable and immovable fixed assets of Bangalore Plant.	8,351	27,503
	Secured, ranking pari passu among the lenders, by way of first charge on fixed assets and second charge on stocks and book debts of the Company	47,368	60,000
	Secured, ranking pari passu among the lenders, by way of first charge on fixed assets [other than those referred in (iii) and (iv) below] and second charge on current assets of the JKM Automotive Division.	59,524	94,748
	Secured, ranking pari passu among the lenders, by way of first charge on fixed assets and second charge on current assets of the Company	467,518	-
		649,659	300,871
	- In Foreign Currency		
	Secured, pari passu first charge on fixed assets [other than those referred in (iii) and (iv) below] of the JKM Automotive Division.	282,412	280,782
	Secured by shares of JGPL, DM38, YTL and OLCL and debenture charge over the entire fixed and floating (movable and immovable) assets of the acquired DM38, YTL and OLCL including intellectual property rights and Corporate Guarantee of the Company.	362,450	-
	Secured, pari passu first charge on movable fixed assets of the Company.	382,269	-
	Secured, pari passu first charge on fixed assets and second charge on current assets of the Company	219,589	204,907
		1,246,720	485,689
	(ii) Cash Credit and Working Capital Loan		
	- In Rupees		
	Secured, ranking pari passu among the lenders, by way of first charge on current assets and second charge on fixed assets of the Company	445,442	531,834
	- In Foreign Currency		
	Secured by debenture charge over the fixed and floating assets of DL, Corporate Guarantee of the Company and JGPL and pledge of shares of the Company in JGPL and pledge of shares of JGPL in DL, to rank pari-passu for working capital facility to borrower and term loan to JGPL.	285,553	224,851
	(iii) From Financial Institutions		
	Term Loan Secured against certain movable fixed assets of JKM Automotive Division	2,110	16,955
	(iv) Vehicle Loans		
	Secured against vehicles purchased from such loans	22,341	13,937
	(v) Interest Accrued and Due	3,039	1,640
		2,654,864	1,575,777

b) Unsecured Loans:

Buyer’s credit arrangements are rolled over as envisaged since origination and are outstanding for a period exceeding 12 months.

22 Derivative transactions

The information on derivative instruments is as follows:

a) As explained in Note (1)(h) above, for the purposes of accounting for derivative instruments, effective April 1, 2008, the Group has applied the principles of AS 30 ' Financial Instruments : Recognition and Measurement' whereas the announcement of the ICAI (dated March 29, 2008) was followed for accounting of derivative instruments in the previous year. Had the Group continued to follow the announcement of the ICAI in the current year, the loss for the year would have been higher by Rs.63,544 having consequential impact on the net worth of the Group.

b) Cash flow hedge

The Company has hedged a part of its future foreign currency receivables to mitigate its foreign exchange fluctuation risks. The same has been designated as a cash flow hedge with effect from April 1, 2008 applying the hedging criteria. The mark to market loss on this contract at the date of designation of the hedge amounting to Rs.8,950 has been debited to the Profit and Loss Account. The movement in the MTM subsequent to the designation as a cash flow hedge amounting to Rs. 64,434 has been accounted as follows:

(i) Accounted under Hedge Reserve Rs.63,544

(ii) Debited to Profit and Loss Account (representing ineffective portion) Rs.890

The details as at Balance Sheet date are as follows:

		Rs.000
	2009	2008
Outstanding contract value in foreign currency (USD)	6,100	9,000
Equivalent Indian Rupeees (INR)	309,392	360,000
Mark to Market value	73,384	9,848

c) Forward or option contracts

(i) Certain External Commercial Borrowings (ECB) in Japanese Yen (JPY) has been swapped into US dollar (USD) both towards principal repayments and interest liabilities. For hedging the intermediate exchange of principal and interest (for part of the swapped value), the Company has entered into an embedded USD/INR option. The swap and the embedded option are co-terminus with the loan agreement. It is the intention of the management not to foreclose the above arrangement during the tenure of the loan and accordingly no gain/loss is anticipated in this regard from fluctuations in JPY.

The MTM gain on these contracts amount to Rs.43,188. Out of which only MTM gain relating to USD to INR portion amounting to Rs.8,110 has been recorded in the books (since, as aforementioned, no gain/loss is anticipated in this regard from fluctuations in JPY).

The details as at Balance Sheet date are as follows:

A. Contract for swap of JPY to USD

2 (2008: 2) outstanding swap contracts to hedge the foreign currency exposure arising on the said ECB.

Currency	**2009**	2008
JPY	652,250	823,000
Equivalent USD	5,568	7,020
Equivalent INR	282,412	280,780

B. Embedded option for intermediate exchange of principal

1 (2008: 1) outstanding embedded option contract for intermediate exchange of principal and interest arising from (A) above:

Currency	**2009**	2008
USD	1,148	2,296
Equivalent INR	58,231	91,847

(ii) Certain other ECBs in JPY has been swapped into Indian Rupees (INR) both towards principal repayments and interest liabilities. The swap arrangement is co-terminus with the loan agreement and it is the intention of the management not to foreclose the said arrangement during the tenure of the loan and accordingly no gain/loss is anticipated in this regard from fluctuations in JPY.

The MTM loss on the contract amounts to Rs.3,110, which has not been recorded in the books (since, as aforementioned, no gain/loss is anticipated in this regard from fluctuations in JPY).

The details as at Balance Sheet date are as follows:

Contract for swap of JPY to INR

1 (2008: Nil) outstanding swap contract to hedge the foreign currency exposure arising on the aforesaid ECB.

Currency	**2009**	2008
JPY	786,400	-
Equivalent INR	382,269	-

Rs.000

d) Foreign currency exposures not hedged by a derivative instrument or otherwise:

As of the Balance Sheet date, the foreign currency exposure (i.e., currency other than functional currency) arising out of operations of the Group and not hedged by a derivative instrument or otherwise represents:

	2009	2008
Receivables *	136,095	94,553
Payables *	291,706	356,509

* Excludes intra-group loans and advances which are eliminated on consolidation.

23 Fixed assets include 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"**	
	2009	2008	**2009**	2008
Land and Development	13,014	13,014	13,014	13,014
Buildings	9,510	9,510	4,033	4,346
Electrical Installations	617	617	133	162
	23,141	23,141	**17,180**	17,522

24 During the year, the Company has raised Rs.745,336 through allotment of 604,000 equity shares of Rs.10 each at a price of Rs.1,234 per share to Qualified Institutional Buyers pursuant to Qualified Institutional Placement under Chapter XIII-A of the SEBI (DIP) Guidelines. Rs.8,759 related share issue expenses have been debited to the Securities Premium Account.

25 These financial statements have been prepared on a going concern basis considering support from the Group bankers in the future at existing level, although there has been breach of few covenants of some loans which either has been waived temporarily by banks or are under negotiation with banks for relaxation.

If such relaxations are not granted, adjustments would be necessary to record assets / liabilities at recoverable / payable values. Whilst the management recognises this possibility, it still believes that under the circumstances, it is appropriate to follow the going concern basis.

26 Profit / Loss allocable to minority share holders interest (comprising 70 equity shares of Rs.10 each of JKM Research Farm Limited held by the nominees of the Company) has not been considered on account of materiality.

27 (i) Current year figures are after giving effect to the acquisition and operations of the new ultimate subsidiary (namely DM 38 Limited, UK) and Windfarm Division and accordingly the current year figures are not comparable with those of the previous year.

(ii) Figures for the previous year have been regrouped / rearranged, wherever necessary.

Dr. K APRAMEYAN
Director

S GOVINDARAJAN
Director

GOVIND MIRCHANDANI
Director

MALAVIKA JAYARAM
Director

B SESHNATH
Executive Director and CMO

N RAJAGOPAL
Executive Director and CTO

V SUNDER
President and Group CFO

UDAYANT MALHOUTRA
CEO and Managing Director

PLACE : BANGALORE
DATE : 10th JULY, 2009

N RAM MOHAN
Financial Controller

G HARITHA
Company Secretary

Pursuant to the exemption by the Department of Company affairs, Government of India, the Company is presenting summary financial information about individual subsidiaries as at March 31, 2009. The detailed financial statements, directors' report and auditors' report of the individual subsidiaries are available for inspection at the registered office of the Company. Upon written request from a shareholder we will arrange to deliver copies of the financial statement, directors' report and auditors' report for the individual subsidiaries.

INFORMATION RELATING TO SUBSIDIARIES AS AT MARCH 31, 2009

Rs. 000

Name of the Subsidiary	Share Capital	Reserves & Surplus	Total Assets	Total Liabilities [excl. (2) & (3)]	% of Holding	Sales & Other Income	Profit before taxation	Provision for taxation	Profit after taxation	Dividend (incl. dividend tax)
1	2	3	4	5	6	7	8	9	10	11
Dynamatic Limited, UK	180,518.09	(79,387.72)	564,181.85	463,051.48	100%	860,679.79	(86,841.03)	(20,638.00)	(66,203.03)	-
DM 38 Limited, UK*	368,639.00	(48,741.05	809,529.99	489,632.04	100%	308,788.98	21,131.19	11,763.79	9,367.40	-
JKM Global Pte Limited, Singapore	473,857.95	(85,816.79)	638,895.84	250,854.68	100%	12,180.14	(34,151.65)	0.00	(34,151.65)	-
JKM Research Farm Limited	36,000.00	(12,105.56)	27,140.40	3,245.96	100%	4,273.52	(8,726.13)	1,274.69	(10,000.82)	-

* Amounts include details of Yew Tree Investments Limited and Oldland Aerospace Limited, 100% Subsidiaries of DM 38 Limited.

DIRECTORS' REPORT TO SHAREHOLDERS

Your Directors have pleasure in presenting the Thirty Fourth Annual Report together with the Audited Statement of Accounts for the year ended 31st March, 2009.

FINANCIAL RESULTS

The Financial Results of the Company for the year ended 31st March, 2009, were as follows:

(Rs. In Lacs)

Particulars	Year ended 31.03.2009	Year ended 31.03.2008
Gross Profit (Before Interest, Depreciation & Taxation) (EBITDA)	**4,392.31**	5,109.29
Interest	**1523.19**	879.92
Depreciation	**1721.20**	1207.03
Net Profit Before Taxation and Extraordinary/Exceptional items	**1147.92**	3022.34
Extraordinary/ Exceptional items	**26.80**	26.02
Net Profit Before Taxation and after Extraordinary items	**1121.12**	2996.32
Provision for Current Year Taxation	**56.45**	686.35
MAT Credit Entitlement	**(121.45)**	0.00
Provision for Deferred Tax	**646.88**	403.31
Provision for Fringe Benefit Tax	**49.25**	46.88
Provision for Wealth Tax	**2.97**	2.11
Net Profit after Tax	**487.02**	1857.67
Balance brought forward from previous year	**2641.46**	–
Amount available for appropriation	**3128.48**	1857.67
Appropriations		
Dividend on Equity Shares – Interim	**135.37**	104.84
Proposed Final Dividend on Equity Shares	**81.22**	240.53
Tax on Dividend	**36.81**	51.89
Transfer to General Reserve	**48.70**	185.77
Profit & Loss Account Balance acquired on Merger	–	1366.82
Balance carried to Balance Sheet	**2826.38**	2641.46

Notes: Previous year figures have been recast wherever necessary.

DIVIDEND

During the year, your Directors; based on the performance of the Company; declared an Interim Dividend of 25% and paid on 5,414,703 Equity Shares absorbing Rs.13,536,758/-. Your Directors' recommend a Final Dividend of 15% on 5,414,703 Equity Shares of Rs.10/- each, absorbing Rs.8,122,055/- for the year under report. Hence the Total Dividend payout for the year under review is Rs. 21,658,813/- (exclusive of tax).

TRANSFER TO RESERVES

Your Directors' propose to transfer Rs.48.70 lacs to General Reserve, during the year under report. An amount of Rs.184.92 lacs is proposed to be retained in the profit and loss account.

The Company has hedged a part of its future foreign currency receivables to mitigate its foreign exchange fluctuation risks. The same has been designated as a cash flow hedge with effect from April 1, 2008 applying the hedging criteria. The mark to market loss on this contract at the date of designation of the hedge amounting to Rs.89.50 lacs (after discounting) has been debited to the profit and loss account. The movement in the market to market (MTM) subsequent to the designation as a cash flow hedge amounting to Rs.644.34 lacs has been accounted as follows:

(i) Accounted under Hedge Reserve Rs.635.44 lacs

(ii) Debited to profit and loss account (representing ineffective portion) Rs.8.90 lacs

Pursuant to the Notification No. G.S.R. 225(E) dated March 31, 2009 issued by the Ministry of Corporate Affairs, the Company has opted to adjust the exchange differences relating to long term monetary items with retrospective effect from April 1, 2007 vis-à-vis recognition of aforesaid exchange differences as income/expense in the Profit and Loss Account in the earlier years.

Accordingly, foreign exchange gain amounting to Rs.94.98 lacs and foreign exchange loss amounting to Rs.825.29 lacs for the year ended 31st March, 2008 and 31st March, 2009 respectively, has been adjusted to the cost of fixed assets with corresponding impact on opening balance of general reserve and foreign exchange loss for the year. Accordingly, an amount of Rs.94.98 lacs (gain) has been reduced from the cost of fixed assets and Rs.62.70 lacs (net of related deferred tax credit of Rs.32.28 lacs) has been debited to the General Reserve.

PERFORMANCE REVIEW

The severe economic downturn impacted the performance of your Company, especially during the second half. However, your Company adopted certain quick corrective measures, which, to some extent, mitigated the negative effects of the downturn.

Total income on a consolidated basis was Rs.41,691 lacs an increase of 14 % compared to 2007-08. EBITDA (Before Extraordinary items/unrealized forex loss) on a consolidated basis was Rs.5,019 lacs as against Rs.6,026 lacs for the previous year.

Net Profit before extraordinary items and unrealized forex loss was Rs.1,135.46 lacs. Your Company had an extraordinary expense of Rs.353.05 lacs being acquisition cost of DM 38, UK and unrealized forex loss of Rs.747.12 lacs.

After accounting for extraordinary & unrealised, your Company made a profit before tax of Rs.35.29 lacs.

The Hydraulic Business grew from Rs.19,128 lacs to Rs.22,932 lacs showing a growth of 20% and the net profit grew from Rs.1,929 lacs to Rs.2,024 lacs (Before exceptional items) showing a marginal increase. This includes the turnover of Dynamatic Limited, UK a subsidiary of your Company to the extent of Rs.8,571 lacs. This also includes the turnover of

DM 38 Ltd, UK, a subsidiary of your Company to the extent of Rs.2,665 lacs. The combined loss from the UK entities is Rs.189 lacs (Before Exceptional items).

The Aluminium Castings business grew from Rs.3,655 lacs to Rs.4,095 lacs showing a growth of 12% and the net profit reduced from Rs.363 lacs to Rs.262 lacs showing a decline of 28%(Before Exceptional items).

The Automotive business grew from Rs.21,389 lacs to Rs.21,425 lacs showing a marginal growth and net profit reduced from Rs.1,797 lacs to Rs.992 lacs showing a decline of 45% (Before Exceptional items).

Exports have grown at 11% with sales of Rs.2,723 lacs against the previous year's Rs.2,462 lacs (including Automotive Division).

It is creditable that your Company has been able to maintain the EBITDA at nearly the same level as previous year despite the severe economic downturn. The profit before tax of your Company was impacted due to the steep increase in interest cost from Rs.1078.21 lacs to Rs.1875.47 lacs and depreciation from Rs.1316.11 lacs to Rs.2008.52 lacs

The increase in interest cost was on account of additional borrowings for acquisitions, expansion of current businesses and on account of increase in interest rates. Increase in depreciation is on account of investment in productive assets through acquisition and expansion. Most of the investments/ acquisition were made towards the later part of the year under review and will start yielding returns during the current year.

The Wind Farm, as you are aware, was acquired during off-season and therefore did not yield much returns during the year under review. We are happy to inform you that currently, Wind Farm is generating power to its full capacity and is expected to yield good returns during the 1st two quarters of 2009-10.

The Consolidated accounts for the year under review consists of only 6 months of operations of Oldland Aerospace Limited, UK, since the acquisition happened in October 2008. Your Company expects Oldland Aerospace Limited to contribute significantly to the profits of your Company during the year 2009-10.

The expansion of the Aerospace business in India for supply of Flap Track Beam Assemblies to A320 family of Airbus aircrafts is expected to go on stream during the year 2009-10 and will contribute to the profits of your Company.

Your Directors are confident that all the new investments detailed above will contribute towards significantly improving the profitability of your Company, after absorbing the increased Interest & Depreciation cost.

Your Company operates in the following business segments –

Precision Engineering
- Hydraulics
- Aerospace
- Powermetric® Design

Automotive
Metallurgy
Non-Conventional Energy

Hydraulics

- **Global Scale**: Second largest manufacturer of Hydraulic Gear Pumps in the world, by volume.
- **Global Presence:** Production facilities in 2 continents.
- **Global Reach:** Supplier of choice to leading Tractor OEMs including John Deere, CNH, Claas, AGCO & Same Deutz-Fahr.
- **Dominant Player in the Indian Market**: 70% market share.

Comprehensive Distribution Base
- Ubiquitous presence across urban & rural markets.
- An incomparable distribution network of over 50 distributors and 500 stockists have given us the broadest possible coverage of the Indian Hydraulics Market, catering to over 80% of mobile hydraulic gear pump applications.
- JKM Automotive™ enjoys a market share of over 40% of the Indian passenger car market for critical functional parts.
- Pole position in the private sector with regard to India's burgeoning Aerospace industry.

- **Comprehensive Range** of Gear Pumps for all applications.
- New Generation Cast Iron Pumps being launched to cater to fast growing **Infrastructure & Construction segments.**
- **Intellectual Property Ownership:** Own the design of every part made.
- **Design & Development**: Partnerships with major Global Tractor OEMs. Among the World's finest Engineering Laboratories.

Aerospace

- Pioneer & leader in the Indian Private sector for the development of complex Aero Structures using Aluminum, Steel & Titanium.
- Largest Infrastructure in the private sector.
- Production facilities in 2 continents.
- Strong Partnerships with MoD and agencies of national importance like DRDO, HAL, etc.
- Key projects include Lakshya, India's Pilotless Target Aircraft, HJT-36 Intermediate Jet Trainer and Sukhoi 30 MKI Fighter Bomber.
- Supplier of Choice to DRDO, HAL, etc.
- Only company in the Private Sector to be certified by Airbus for supplies.
- DGAQA approval for In-house Processes.
- AS 9100 Rev B certified by UL.
- NADCAP approvals for in-house processes.
- Poised to ride the tidal wave of business from Government's offset policy.
- Agreements signed with Boeing, Cobham, Northrop Grumman for being their Offset partners in India.

Automotive

- **Single Source** to Global Auto OEMs for critical engine & transmission components – catering to over 40% of Indian Passenger Car Market.
- **Straddles Three Segments**: Highway Vehicle, Off Highway Equipment & Technology Products.

- **Geographical Advantage:** Located in Chennai, the Automotive Hub of India.
- Evolved from a Green Field venture into a dominant force in the Indian Auto Component Industry in a decade.
- Extremely efficient manufacturing systems & processes.
- Stringent quality processes.
- Innovative Supply Chain control.

Metallurgy

- Producer of non-ferrous high quality Alloy and Castings for Automotive, Industrial and Aerospace applications.
- Energy Efficient Operations.
- Infrastructure created and controlled in-house.

Non-Conventional Energy

- Generating 12MW of power – approximately 18 million units annually.
- Strategically located, less than an hour's drive from Coimbatore airport.
- 48 Windmills on 440 acres of free-hold land.
- Un-Interrupted Supply of power to Automotive & Metallurgy businesses.
- Giant Leap towards Zero Carbon manufacturing facilities in Tamil Nadu.

> - 85% reduction in monthly energy costs - improves our cost competitiveness.
> - Freedom from energy price inflation in future.
> - Eco-friendly.
> - Scalable - Windmills can be added.
> - Strategic land bank near Coimbatore.

STRATEGIC ACQUISITIONS AND ALLIANCES

Your Company has acquired two strategic businesses during the year.

On 1st September 2008, your Company acquired a Wind Farm in the outskirts of Coimbatore. The Wind Farm; located on 440 acres of free-hold land, having 48 Wind Turbines has an installed capacity of 12MW generates approximately 18 million units of power annually.

This acquisition not only reduces energy cost but also ensures un-interrupted supply of power to your Company's Tamil Nadu operations.

On 4th October 2008, your Company acquired Oldland Aerospace Limited (formerly Oldland CNC Limited), located in Bristol, UK.

Oldland Aerospace Limited is a 35-year-old Company with a unique state-of-the-art Aeronautical Component and Tooling manufacturing facility possessing complex 5 axis machining capabilities. Oldland Aerospace Limited is a certified supplier to Airbus UK, Boeing, GKN Aerospace, Magellan Aerospace, GE Aviation Systems, Lockheed Martin and Agusta Westland. It is expected that the Company's close proximity to the production facilities of its customers in Bristol - Airbus, Agusta Westland and GKN Aerospace – will grant Dynamatic® a strategic locational advantage required for forging strong, direct relationships with leading Aerospace Companies in Europe and America.

With this acquisition, your Company will acquire the scale and competence required to rapidly grow its Aerospace business in India and the world markets.

FINANCE

During the year, your Company has raised Rs.74.53 Crores through allotment of 604,000 Equity Shares of Rs.10/- each at a price of Rs.1234/- per share to Qualified Institutional Buyers (QIB), pursuant to Qualified Institutional Placement (QIP) under Chapter XIII-A of the SEBI (DIP) Guidelines. The total Share Capital of your Company now stands at 5,414,703 Equity Shares of Rs.10/- each.

During the year, ICRA has assigned a long-term rating of LA- for your Company's Fund Based Bank facilities and Long Term Loans and a short-term rating of A2+ to Non-Fund Based Bank Facilities of your Company.

LA- is an adequate-credit-quality rating. A2+ is an above-average-credit-quality rating.

The assigned ratings take into account your Company's leading position in the hydraulics gear pumps industry, strong technological capabilities across industrial domains and sound management team.

CAPITAL EXPENDITURE

During the year, your Company incurred capital expenditure of Rs.559 lacs for physical infrastructure, Rs.4,046 lacs for technological infrastructure, Rs.278 lacs for procurement of intangible assets, Rs.4,259 lacs for acquisition of an overseas business and Rs.3,208 lacs towards the acquisition of Wind Farm.

During the year under review, your Company has invested Rs.12,350 lacs as against a total investment of Rs.37,461 lacs since incorporation.

Significant investments have been made in Building Infrastructure, State-of-the-art machinery, Design Software, Data Security, Information Systems, Design and Development activities; for the future benefits of your Company.

RESEARCH & DEVELOPMENT

Dynamatic® has transformed itself into a knowledge-based organisation through its sustained Research and Development efforts. Dynamatic® undertakes Research & Development at its state-of-the-art Center as well as through Powermetric, its CAD/CAM engineering services. All technology development efforts are guided by the Technology Development Committee of your Board of Directors.

The Research & Development center at Dynamatic Park is completely electronic, and utilises Parametric 3D Design programs and knowledge based expert systems. Dynamatic® implemented a Collaborative Product Commerce (CPC) program incorporating the sophisticated CPC software 'Windchill®', which helps in integrating enterprise-wide, product life-cycle management systems, to enable development of compressed time-to-market product designs.

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

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

- **Hydraulic Motors:** The production of Hydraulic Motors entered an advanced phase with your Company obtaining an export order for the manufacture and supply of different types of Hydraulic Motors for a range of lawn mowers for Jacobsen, a division of Textron, USA. The Motors are under extensive field trail at Jacobsen, USA and at Ransomes, UK, both being subsidiaries of Textron, USA.

- **Regular export supplies of Pumps and other Hydraulic Aggregates** are made worldwide to the various divisions of John Deere & Renault Agriculture, France. This represents an important step in your Company's ongoing efforts to expand its global market. During the last 8 months, 40 different prototype pumps (totaling more than 400 nos.) have been supplied to various John Deere units in USA, catering to their new generation Tractor Projects. These varieties of prototype pumps are having different complexities and nurture various new design concepts, viz. Fixed Clearance Design, Compact Designs catering to optimized weight-to-performance ratio, capability to operate at higher operating speeds, total application orientation with regard to Form, Fit & Function for Gear Pump performance, etc.

- **Supplies of Gear Pumps to GIMA, France,** an important manufacturer of Transmission & Rear Axles in Europe. Sample pumps of various models are under going extensive field trials at GIMA, France. Techno–commercial review is at an advanced stage for the total development & supply of Hydraulic Integrated Cover Assembly to GIMA. This will include, in addition to Gear Pump, an intricately profiled Cover Assembly containing various Hydraulic Valves & other control items, Cast manifolds & a Pinion.

- **With regard to Domestic customers**, the emergent requirements of Gear Pumps for the new tractor models of customers such as Mahindra & Mahindra, Case New Holland, etc. are comprehensively catered to

- **Broad range of Compressor Housing Castings** developed for Honeywell Garrett, France, constituting a significant share of their Global requirements.

- Your Company is partnering Cummins in the design, development, manufacture & supply of Lubricating Oil Pumps for a wide range of Cummins Engines. Eleven different types of Lube Oil pumps and Water Pumps of varied sizes & complexity are at various stages of project execution - from the design & product validation phase to regular supplies. Performances of initial supply to Cummins, UK for pumps of various models have been found to be better than the performance of pumps of competitive makes. Intensive validation trials were carried out both at Cummins, UK & at Cummins, India plants. Cummins has accorded source approval to Dynamatic after successful completion of stringent quality approval processes.

The **JKM Science Center** at Dynamatic Park Peenya, Bangalore, spread over an area of 40,000 Sq. Ft, includes two design laboratories, a material science laboratory, a prototype manufacturing unit and a training center. It houses 500 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 across the group, worldwide.

Dynamatic® Hydraulics has also placed its foot print in the community of International Research, by presenting research papers in the field of Fluid Power & ANSYS related topics .

Your Company has evolved a stringent Information Security Management System to protect and safeguard key information and data from unauthorized access across its units in India and abroad. The system has been designed to ensure confidentiality, integrity and availability of critical data within the organization. New tools are used to upgrade existing systems periodically, to fit the growing size and needs of the Company.

Dynamatic Limited, UK, a subsidiary of your Company, has world-class technologies to support the business needs of demanding European and US markets and new Original Equipment Manufacturers. It also provides your Company with an excellent engineering laboratory and a large amount of Intellectual property. Dynamatic Limited, Swindon, UK, is presently validating two designs of cast iron gear pumps, for the construction and earthmoving segments. Your Company will be very shortly launching these new products in the Indian and European markets.

QUALITY MANAGEMENT SYSTEM

Your Company has successfully completed the seven man-day Certificate Renewal Audit conducted by LRQA, followed by 1st Surveillance audit for ISO 9001 Quality Management System and for ISO 14001 Environment Management System. These Management Systems were noted as mature and the commitments at various levels were observed.

During the year under report, JKM Automotive™, after the completion of effective implementation of 3 years, have been re-certified to TS 16949:2002 and the Company is in the process of upgrading the system to the latest edition of TS 16949:2009. Your Company's Automotive division has also been certified to the OHSAS 18001:2007 (Occupational Health and Safety Assessment Series), during April 2009. In this upgraded version, additional focus has been given to Employee health.

Your Company's Automotive division has successfully completed the renewal audit of FORD Q1 quality system (which is considered worldwide as a mark of qualitative excellence in manufacturing processes, systems, performance and customer management).

Your Company is also actively involved in the development of our suppliers' Quality Systems. Two of our suppliers have been awarded the prized '100 PPM' certificate by Hyundai, for maintaining their rejection levels below 100 PPM on a continuous basis.

During the year, the Honeywell Operating System (HOS), which draws from various world famous operating systems including the Toyota Production System, was launched at JKM Automotive™. The HOS will introduce world-class best practices to the Dynamatic® Group. JKM Automotive™ is the only Honeywell Supplier in India and only the third supplier worldwide, to launch the HOS.

Dynamatic Aerospace® has received numerous Certifications and Awards, as detailed below:

- The Country's only private sector company to be certified by Airbus.
- DGAQA approval for in-house processes.
- ISO 9001: 2000 – Quality Management System
- ISO 14001: 2004 – Environmental Management System
- AS9100 Rev B – The country first Aerospace Company to be certified to AS9100 Rev B standards for Aero-Structures.
- 'Best Vendor' award 2003 from HAL's Aircraft Division.
- 'Outstanding Vendor' award in 2008 from HAL.

Dynamatic Aerospace® has obtained NADCAP certification for its Heat Treatment and NDT (Non Destructive Testing) facilities and is the country's first private-sector Company to achieve this distinction. NADCAP is the leading international cooperative program of major companies designed to manage a cost-effective consensus approach to special processes & products and provide continual improvement within the aerospace & automotive industries.

Powermetric® Design has obtained the Design Approval Certification from the Center for Military Airworthiness & Certification (CEMILAC). CEMILAC, which was established in 1995 to consolidate air certification work, is one of DRDO's significant agencies vested with the responsibility of certifying airworthiness of parts and certification of Military Aircraft and Airborne Stores. CEMILAC's certification which is mandatory for defense & aerospace design, will enable Powermetric® Design to undertake design and development in the areas of Static & Dynamic Analysis, Geometric Modelling and Manufacturing Drawings, Tooling Design, Sheet Metal Processing and NC programming of Air-Frame components.

Lean Management concepts together with 5S tools are being used on shop floor to increase the OEE (Overall Equipment Effectiveness) of the Operations. Your Company has successfully taken this OEE to 72% by March 2009. This is achieved by reducing rejections, set ups, cycle time and through effective material management. A continuous focus was made on training engineers on 6-sigma tools, projects have been identified and satisfactory progress has been achieved by the teams. EPP (Employee Participation Program) has shown good results and the participation of all employees in innovative activities, their contribution in daily shop floor meetings has resulted in constant improvements in their work practices and work processes. ERP implementation on shop floor has been successful and this has provided good control over Work-in-Progress material. Deployment of various Quality tools such as 3C, 5S, 6-sigma, etc have resulted in enhanced product quality, innovation and cost effectiveness.

The dedicated Supplier Quality Assurance (SQA) Team takes actions to develop vendors' processes, to enable them to meet the demanding market requirements. This is achieved through constant interactions and updates. Vendor audits are being conducted at regular intervals. It is notable that none of our vendors had any difficulty in sustaining the recession.

DEPOSITS

Deposits accepted under the provisions of Section 58A of the Companies Act, 1956, of Rs.107,000/- from the public remained unclaimed as on 31st March, 2009. Deposit holders have been informed of the same so that claims can be made.

SUBSIDIARIES

JKM Research Farm Limited, India, (JKMRF) is a Wholly Owned Subsidiary of your Company. It continues to be the Research & Development facilitator to the Company.

JKM Global Pte. Limited, Singapore, (JKMGB) is a Wholly Owned Subsidiary of your Company. It continues as an investment hub for overseas acquisition/s.

Dynamatic Limited, Swindon, UK, (DLUK) is a Wholly Owned Subsidiary of your Company held through JKM Global Pte. Limited, Singapore. DLUK produces integrated hydraulic products and gear pumps and enjoys robust demand from international agricultural equipment OEMs as well as after-market. The Swindon facility has a long history of manufacturing that stretches back to the 1950's.

DM 38 Limited, Bristol, UK, (DM38) is a Wholly Owned Subsidiary of your Company held through JKM Global Pte. Limited, Singapore. It is the Company through which Yew Tree Investments Limited was acquired.

Yew Tree Investments Limited, Bristol, UK, (YTIL) is a Wholly Owned Subsidiary of your Company held through DM38 Limited, UK. YTIL has been the holding company of Oldland Aerospace Limited, pre-acquisition and owns the Land & Building in which Oldland Aerospace Limited is located.

Oldland Aerospace Limited, (OAL), Bristol, UK, (Formerly Oldland CNC Limited) is a Wholly Owned Subsidiary of your Company held through Yew Tree Investments Limited, UK. It is a high end precision engineering Company engaged in the manufacture of Aerospace Components and Tooling. OAL provides Dynamatic® with a unique state-of-the-art Aeronautical manufacturing facility possessing complex 5 axis machining capabilities. OAL is a certified supplier to leading Aerospace Companies in Europe and America.

At present, your Company is in the process of merging Dynamatic Limited, Yew Tree Investments Limited, DM 38 Limited and Oldland Aerospace Limited into a single entity and the combined entity will be renamed as Dynamatic Limited, UK.

REPORT ON SUBSIDIARY COMPANIES

During the year, your Company has obtained exemption from the Government of India, Ministry of Company Affairs from attaching the financial accounts of the Subsidiary companies to this Report pursuant to Section 212 of the Companies Act, 1956. However, a statement showing the relevant details of the Subsidiaries is enclosed and is a part of the Annual Report.

DIRECTORS

Under Section 256 of the Companies Act, 1956, Air Chief Marshal S. Krishnaswamy (Retd.), Dr. K. Aprameyan, Ms. Malavika Jayaram and Mr. Govind Mirchandani, retire by rotation at the ensuing Annual General Meeting, and being eligible, offer themselves for re-appointment.

Mr. S. Govindarajan, who has been appointed as a Director of the Company at the Board meeting held on 2nd May, 2009, is being proposed to be appointed as an Additional Director of the Company as set out in the Notice.

Ms. Shanti Ekambaram, resigned from the Board of the Company with effect from 4th March, 2009.

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 prepared by the Company in accordance with the relevant Accounting Standards issued by The Institute of Chartered Accountants of India, which form part of the Annual Report and Accounts.

AUDITORS

M/s. Price Waterhouse & Co., have been auditors of JKM Automotive™ (Former subsidiary of your Company and now merged along with your Company) since 1997 and of your Company since 2005.

Considering the fairly long association of M/s. Price Waterhouse & Co, with your Company, the Audit Committee recommended rotation of Statutory Auditors, as good Corporate Governance Practice.

Based on the recommendation of the Audit Committee, the Board of Directors have recommended the appointment of M/s. BSR & Associates, Chartered Accountants as Statutory Auditors of the Company for the financial year 2009-10 in place of M/s. Price Waterhouse & Co.,

The Company has received special notice of a resolution from a member of the Company, in terms of the applicable provisions of the Act, signifying his intention to propose the appointment of BSR & Associates, as the Statutory Auditors of the Company for the financial year 2009-10. The notice convening the 34th Annual General Meeting contains the said resolution.

The Board places on record its appreciation of the services rendered by M/s. Price Waterhouse & Co., since the financial year 1997-98.

PARTICULARS OF EMPLOYMENT

Your Company believe that a well-trained, motivated and satisfied employee base is key to our competitive advantage. Your Company has an extremely cordial relationship with all its employees and your Company strives on mutual trust created between the employees and the management. The skill sets of our employees give us the flexibility to adapt to the needs of our clients and the technical requirements of the various projects that we undertake.

Information required under Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended is forming part of this Report.

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 the Practicing Company Secretary of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with Stock Exchange/s together with the Management's 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 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
DATE : 30TH JUNE, 2009

VIJAI KAPUR
Chairman

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, 2009.

Disclosure of particulars with respect to conservation of energy, absorption, adoption and innovation

Conservation of Energy

The operations of the Company are not energy intensive. However, adequate measures have been taken to conserve and reduce the energy consumption by using energy efficient hardware and other equipment. Air conditioners are used only when required and air-conditioned areas have been treated with heat resistant material like sun control film to reduce absorption. We believe that energy saved is energy produced.

The Captive Wind Farm will enable our Chennai operations to establish "ZERO Carbon Foot-Print" facilities.

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 a new design, robust hydraulic gear pumps for Earthmoving Sectors.
   b) Development of Fixed Clearance Gear Pump catering to specific requirement of Low Pressure, High Flow capability.
   c) Development of various types of Hydraulic Gear Motors.
   d) Development of new Machine Tools, Machine Tools Structures including CNC machine upgrade.
   e) Factory Automation.
   f) New projects for Defence sector.
   g) Mechatronics application in Tractor Hydraulics.
   h) Development of total Tractor Hydraulic aggregates including Hitch Control Valve.
   i) Value Engineering for existing products and processes.
   j) Analysis coupled with experimentation towards product design optimization, product performance enhancement and application understanding and problem solving.
   k) Introduction of Product Life Cycle Management Tools viz. Windchill.

      Windchill is extensively practiced across various functional units of the Company imparting fast and accurate engineering data transfer & management capability.
   l) Design and Development of customized consumer products for NSS, USA.
   m) Design and Development of Combi Pump for Nano Car at Automotive Unit.

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

   All the following 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 program.
   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 sectors that it operates, through continuous innovation.

4. **Expenditure on R & D**

		Rs. in Lacs
(a)	Capital	132.00
(b)	Recurring	208.00
(c)	**Total**	**340.00**

   Total expenditure as a percentage of turnover (Net): 1.16 %

5. **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.

6. In case of imported technology (imported during last 5 years – reckoned from the beginning of the financial year), following information may be furnished:

Not applicable

7. Foreign Exchange Earnings and Outgo: During the year under report, the foreign exchange outgo has been to the extent of Rs.5,760 lacs (which includes import of raw materials, components, stores and spares to the extent of Rs.4,262 lacs) Foreign Travel expense of Rs.52 lacs, Subscription fees of Rs.3 lacs, Technical fee of Rs.17 lacs, Interest and legal expenses of Rs.265 lacs and Capital Expenditure to the extent of Rs.1,161 lacs and the foreign exchange earned of Rs.2,803 lacs.

Annexure - II

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

The Board of Directors hereby confirms that:

i. In the preparation of accounts for the financial year ended 31st March, 2009, the applicable Accounting Standards have been followed with proper explanation relating to material departures if any.

ii. We 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 that Company for the year under review.

iii. We 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. We have prepared the accounts for the financial year ended 31st March, 2009 on a `going concern' basis.

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 (Dynamatic®), 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, 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, 2009.

UDAYANT MALHOUTRA
C E O & Managing Director

V. SUNDER
President & Group CFO

PLACE : BANGALORE
DATED : 30TH JUNE, 2009

ANNEXURE – III

ANNEXURE TO DIRECTORS' REPORT FOR THE YEAR ENDED 31st MARCH, 2009.

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

	Particulars	JKM Research Farm Limited India	JKM Global Pte. Limited Singapore	Dynamatic Limited (a subsidiary of JKM Global Pte. Limited) UK	DM 38 Limited (a subsidiary of JKM Global Pte Limited) UK	Yee Tree Investments Limited (a subsidiary of DM 38 Limited) UK	Oldland Aerospace Limited (a subsidiary of Yee Tree Investments Limited) UK
1	Financial Year ended on	31.03.2009	31.03.2009	31.03.2009	31.03.2009	31.03.2009	31.03.2009
2	Shares of the Subsidiary held by the Company on the above date:						
a)	Number and Face Value	3,600,000 fully paid Equity Shares of Rs. 10/- each	14,571,451 fully paid Equity Shares of Singapore $1/- each	2,250,000 fully paid Equity Shares of GBP 1/- each	4,300,000 fully paid Equity Shares of GBP 1/- each	100 fully paid Equity Shares of GBP 1/- each	2 fully paid Equity Share of GBP 1/- each
b)	Extent of holding	100%	100%	100%	100%	100%	100%
		Rs. In lacs	Rs. In lacs	Rs. In lacs	Rs. In lacs	Rs. In lacs	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 within the account of the Company for the year ended 31st March, 2009.	(87.26)	(341.51)	(868.41)	(675.34)	519.00	367.65
b)	Not dealt within the account of the Company for the year ended 31st March, 2009.	–	–	–	–	–	–
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 within the account of the Company for the year ended 31st March, 2008.	0.75	(18.06)	32.90	–	–	–
b)	Not dealt within the account of the Company for the year ended 31st March, 2008.	–	–	–	–	–	–

By order of the Board of Directors

PLACE : BANGALORE
DATE : 30TH JUNE, 2009

VIJAI KAPUR
Chairman

SAFE HARBOUR 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. ECONOMY, INDUSTRY STRUCTURE AND DEVELOPMENTS

Global economic conditions deteriorated sharply towards end of 2008 with several advanced economies experiencing their sharpest declines from the deepening of the international financial turmoil. The global financial environment entered a crisis phase in mid- September 2008, following the growing distress among large international financial institutions and the declaration of bankruptcy of Lehman Brothers. As credit markets froze, central banks across the world, along with the respective governments, responded with both conventional and unconventional measures. The knock-on effect of these unprecedented adverse global developments became evident in the macroeconomic performance of the Indian economy, particularly in the second half of 2008-09.

Uncertainty surrounding the global economic outlook remains high mainly stemming from a scenario of ongoing financial market turmoil affecting the real economy more adversely than previously anticipated. Since the official recognition of recession in the US, UK, mainland Europe and Japan, the downside risks to the global economy have increased. According to the forecast released by the International Monetary Fund (IMF) on March 19, 2009, world output is projected to contract by 0.5-1.0 per cent in 2009 as compared with a growth of 3.2 per cent in 2008, before recovering gradually in 2010.

The Indian economy, which was on a robust growth path up to 2007-08, averaging at 8.9 per cent during the period 2003-04 to 2007-08, witnessed moderation in 2008-09, with the deceleration turning out to be somewhat sharper in the third quarter. While the growth deceleration was primarily driven by the knock on effects of the global economic crisis, it also reflected to some extent the slowdown associated with cyclical factors. Industrial growth experienced a significant downturn and the loss of growth momentum was evident in all categories. Agriculture also recorded a deceleration in growth, the agricultural outlook remains satisfactory.

The slowdown in the Indian economy during 2008-09 has been associated with a deceleration in investment demand. In the context of the severity of the impact of the crisis on the real economy of countries around the world, the growth outcome reflects the resilience of the Indian economy.

INDUSTRY OVERVIEW AND STRUCTURE AND DEVELOPMENT

Hydraulics Industry

The global mobile hydraulic and electronic component market is estimated to be US$ 16.4 billion. The mobile hydraulics market which is a sub segment of the mobile hydraulic and electronic component market is pegged at US$ 14.9 billion and further the open circuit mobile products market is estimated to be US$ 1.4 billion. Hydraulic Gear pumps constitute an important segment of the open circuit products market. The global market for open circuit products is expected to grow by approximately 5% to 6% per annum in the medium term, with the fastest growth being in Asia and the slowest in the America.

Major growth drivers include:

- General economic situation -In the medium-term, the strongest growth prospects lie in China and other emerging markets, as high economic growth triggers investment in more efficient technology,
- Higher cost of hydraulics - Efficiency, safety and environmental (e.g. noise) requirements which are becoming more onerous, which has the effect of increasing the number and value of hydraulic products in each machine
- Legislation – Recent US and European Union legislation has stipulated a reduction in engine emission levels.
- Replacement demand – The continuously increasing base of mobile machinery is triggering growth in aftermarket sales. The average lifetime of a hydraulic gear pump is approximately 8 to 10 years, whereas a mobile vehicle has a lifetime of up to 30 years.

Automotive industry

The auto component sector has been one of the fastest growing segments of auto industry. The industry, over the years, developed the capability of manufacturing all components required to manufacture vehicles, which is evident from the high levels of indigenization achieved in the vehicle industry as well as the components developed for the completely Indian made vehicles like the Tata Indica, Tata Indigo and Mahindra Scorpio. The component industry has now holistic capability to manufacture the entire range of auto components e.g. Engine parts, Drive, Transmission Parts, Suspension & Braking Parts, Electricals, Body and Chassis Parts, Equipment etc.

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

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

Indian Automotive Industry more competitive in world besides making the country a favourable destination for investment by global majors in auto industry.

Aerospace Industry

Manufacture of Aircraft Parts, Components & Assemblies is considered to be the next big emerging opportunity for Indian manufacturing industry. As a young India (in a demographic sense) emerges as one of the fastest growing economies of the World, increased demand for Civil and Military Aircraft will catapult it to become the largest buyer of aircrafts. This automatically will requisition Global aircraft manufacturers like Boeing and Airbus to procure aircraft parts and assemblies from Indian companies, both for fulfilling their offset obligations and for keeping their costs low as India will be a very price-sensitive market for aircrafts.

Indian Defence Sector

India is the third largest importer of arms and equipment in the world. Every year nearly 30 to 40% of the defence budget finds its way out of the country towards acquisitions either through direct or indirect imports. In order to leverage this buying power of the country, to achieve greater self reliance in defence production, Ministry of Defence, Government of India has announced the Offset Policy as part of the Defence Procurement Procedure (DPP) 2005. The offset policy given in DPP 2005 mentions inclusion of an offset clause amounting to a minimum of 30 percent of the indicative costing in the RFP where the indicative cost of the contract is Rs.300 Crores or more. The Offset Policy introduced in DPP 2005 was further fine tuned in DPP 2006 as the offset clause would be applicable for all procurement proposals where indicative cost is above Rs.300 Crores.

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

B. OPPORTUNITIES AND THREATS

Your Company believes that it is well positioned to sustain it's existing leadership position in each business segment across key markets as well as to exploit significant growth opportunities that exist in each of it's businesses.

Your Company produces highly engineered precision products in diverse business segments namely Hydraulics, Automotive, Aerospace and Defence, Metallurgy and Engineering Services. The products of your Company find applications in the Automotive Sector, Aerospace and Defence Sector, Agricultural Equipment Industry and Construction Equipment Industry, to name a few.

With over three decades of manufacturing experience, vertically integrated with manufacturing facilities in two continents and global deliveries into all six continents, your Company is equipped to deliver from concept and design stage to manufacture of products and delivery of services in each of the business segments from it's facilities in Bangalore, Chennai, Swindon and Bristol.

Hydraulic Business Segment

Your Company's hydraulics business is the oldest business of the Company and has operations in Bangalore, India and Swindon, UK.

Your Company is one of the leading manufacturers of hydraulic gear pumps in the world, Products finding use in agricultural tractors, earth-moving equipments, material handling equipments, mining and drilling equipments, road paving equipments, off-highway and special purpose on-highway mobile equipments, to name a few. In addition to hydraulic gear pumps, your Company manufactures a wide range of sophisticated hydraulic valves and custom tailored hydraulic solutions extending from simple hydraulic pumping units to sophisticated marine power packs, complex aircraft ground support systems to turnkey industrial installations.

Your Company has design and development partnerships with major global tractor OEMs. Its customers include Mahindra & Mahindra, Eicher Tractors, Punjab Tractors, Same Deutz-Fahr, Escorts Limited, L&T John Deere, New Holland India, BEML, Godrej & Boyce, HMT, BHEL, Telco. Products are exported to over 30 countries and are being used as original equipments in USA, UK, Canada and South Korea.

Your Company has commenced its production and supply of total tractor hydraulics systems (Hitch lifts) to new generation tractor manufacturers currently catering to Same Deutz-Fahr. Your Company is also tapping the growing Infrastructure sector by developing cast iron body pumps for top clients like JCB, Caterpillar, Cummins etc. Such high value businesses are expected to improve margins in your Company's hydraulic business.

Your Company also produces Hydraulic Transmission System for India's T-72 Battle Tanks Additionally, the Company has designed the Steering Control System, Turret Control System and Braking System for ARJUN Main Battle Tank.

Automotive Business Segment

The automotive business of your Company - JKM Automotive™ operates as a division and is based in Chennai. The division produces high quality ferrous and non-ferrous critical engine and transmission components for the growing global automobile industry. Apart from supplying components to the Highway segment, the division also caters to the requirements of the Off- Highway and Technology segments. JKM Automotive™ is a single source supplier to many global automotive OEMs like Hyundai Motor India Limited, Ford Motor Company, Tata Motors, General Motors, Renault, John Deere, Cummins and Honeywell.

Aerospace Business Segment

Your Company's aerospace business– Dynamatic Aerospace® operates as a separate division and has facilities in Bangalore, India and Bristol, UK. The Aero-Structure manufacturing facility established by your Company, in India, is one of the largest facilities in the Indian private sector. It is a recognized player in the Indian private sector for the development of complex Aero-Structures using Aluminum, Steel & Titanium. Key projects undertaken by the division include LAKSHYA-India's Pilotless Target Aircraft, HJT-36 - Intermediate Jet Trainer and Sukhoi MKI 30 - Fighter Bomber. Products manufactured by the division include Wings, Ventral Fins, Stabiliser, Air brakes, Slats, Ailerons and so on. During the current year, Dynamatic Aerospace® has handed over the first batch of Flap Track Beams for the Airbus Single Aisle (A320 family) Aircraft, to Spirit AeroSystems (Europe) Ltd.

During the year, your Company has acquired Oldland Aerospace Limited (formerly Oldland CNC Limited) at Bristol. This acquisition will provide Dynamatic® with a unique state-of-the-art Aeronautical manufacturing facility possessing complex 5 axis machining capabilities.

Oldland Aerospace is a certified supplier to Airbus UK, Boeing, GKN Aerospace, Magellan Aerospace, GE Aviation Systems, Lockheed Martin and Agusta Westland. It is expected that Oldland Aerospace's close proximity to the production facilities of its customers like Airbus, Agusta Westland and GKN Aerospace – will grant Dynamatic® a strategic locational advantage required for the forging of strong direct relationships with leading Aerospace Companies.

With this acquisition, your Company will acquire the scale and competence required to rapidly grow its Aerospace business in India and the world markets. Your Company anticipates that the acquisition will further strengthen its ability to tap the business opportunities arising from India 's growing requirements for Defence and Civilian Aircrafts especially under the Offset Program. The Company also expects to acquire better technologies to enhance its profile and competencies in the Aerospace domain while achieving overall inorganic business growth with a better synergic effect.

Aluminium Casting

Your Company's Foundry business – Dynametal® operates as a separate business and is based in Chennai. The foundry division primarily caters to in-house requirements of the Hydraulics, Automotive and Aerospace divisions. The Division produces high quality non-ferrous alloy castings.

Powermetric® Design

Your Company's design arm – Powermetric® Design, based in a 40,000 sq ft. facility within Dynamatic Park, Bangalore is engaged in Design Validation, Design Optimization, Analysis and Prototyping. The design division not only caters to your Company's in-house requirements but also offers design consultancy in mechanical engineering, has capability to provide services ranging from Concept to Product Development and Analysis, Installation and Configuring of Product Design Solutions and mapping of manufacturing/testing processes.

Powermetric® Design has tied up with National Super Suction, USA, as an outsourced R&D facility and will collaborate on new Re-Design of existing products, New Product Development, Design Validation and Proto-typing support.

Energy Self Sufficiency

Your Company acquired a Wind Farm near Coimbatore, India, with an installed capacity of 12MW and capable of generating approximately 18 million units of power annually.

The Wind Farm comprising 48 Wind Energy Generators, located on 440 acres of free-hold land, will enable the Company to generate power in an environment friendly way. It is expected that this acquisition will enable Dynamatic® to achieve 85% reduction in its monthly energy costs at its Chennai complex and combat energy-price inflation in future.

Dynamatic®'s Yellow Brick Road Strategy

Dynamatic®'s 'Yellow Brick Road' strategy uniquely positions your Company to achieve greater Economic Relevance, across geographies and business units, by utilizing synergies of Competencies, Skills, Cost, Efficiencies and Capacities, to maximize value for your Company and it's Customers.

Dynamatic® operates state-of-the-art facilities at Bangalore & Chennai, in India, and, Swindon and Bristol, in UK. These multi-locational facilities give your Company a unique geographical advantage in effectively managing Customer Relationships, Flexibility to combine strengths of each location, Cost Competitiveness, Risk Mitigation and a Stable Supplier base.

Various external risk factors viz. a slowdown in economic growth in India, Change or delay in economic reforms of the Indian economic Political instability, Hostilities, terrorist attacks, civil unrest and other acts of violence could adversely affect the financial markets and our business. Investors may be subject to potential losses arising out of exchange rate risk on the Indian rupee and risks associated with the conversion of Indian rupee proceeds into foreign currency.

Understanding opportunities for growth as well as the barriers in each segment, your Company has constantly strived to achieve desired results, attributable to your Company's competitive strengths, namely:

- Presence in diverse, synergistic business segments
- Leadership position in Hydraulics business
- Strong competence in Automotive business
- Early-Bird-Advantage in the Aerospace business
- Strong design capability and scalability
- Proven management team and skilled manpower with wide experience
- Well-developed, strong Blue-Chip Customer base

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 Engineering	22,931.69	47.33
Aluminium Casting	4,094.63	8.45
Automotive Components	21,425.45	44.22
TOTAL	**48,451.77**	**100.00**

D. OUTLOOK

Your Company's reputation for developing innovative, cost-effective and high quality products continues to grow; both in the Domestic and Overseas markets. In the medium-term, the Company is expected to maintain a healthy growth.

Having witnessed a strong organic growth in all the segments over the years, your Company has embarked on a path of inorganic growth, through acquisitions, thereby opening up bigger opportunities in the Global markets.

Intellectual Property Rights (IPR)

Your Company has defined an IPR strategy with a view to building an effective portfolio for future monetization, collaboration and risk mitigation. The total number of granted patents are four (including one International Patent, four from the European Union). In addition, your Company has two patents pending in multiple jurisdictions awaiting registration.

As part of acquisition of the hydraulics business unit of Sauer-Danfoss, UK, your Company acquired eleven registered patents for various hydraulic products.

E. RISKS AND CONCERNS

Your Company's increasing exposure to Global markets and Customers also brings with it the inherent risks of a Global company like Foreign Currency risk, Product Liability, Warranty, and so on, These risks are being mitigated through appropriate de-risking strategies.

F. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Strategic Business Units of your Company are headed by highly experienced Chief Operating Officers, who are supported by teams of capable personnel.

The Company has well-structured internal control systems for running its operations. The implementation of ERP at its Bangalore complex is in its final stages, and its completion will streamline the enterprise–wide flow of information. ERP has already been implemented at your Company's facilities in Chennai, Swindon and Bristol. In the near future, all the units will be integrated through a uniform ERP system.

Your Company has deployed a comprehensive Internal Audit System, which is commensurate with its scale of operations. Competent and qualified professionals, who are external to the Company business, conduct regular and detailed Internal audits, both at the manufacturing locations and at branch offices. During the year, the Internal Auditors submitted audit reports, management reports along with their Internal audit Reports, which highlighted areas of concern and suggested improvements in systems and procedures.

The Board level Audit Committee of the Company meets at every quarter to review the Internal Audit Reports as well as Management's Feed back on Internal Audit Reports and suggests improvements in the control systems form time to time. A detailed report on the same is forming part of Corporate Governance report.

G. DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

Your Company's Profit (before exceptional items) has declined by 69%, against the Sales Turnover growth of 9.69%. This includes the Hydraulics business Profit (before exceptional items) of Rs.2,024 lacs, Aluminium castings business Profit (before exceptional items) of Rs.262 lacs and JKM Automotive business Profit (before exceptional items) of Rs.992 lacs.

The severe economic downturn impacted the performance of your Company, especially during the second half. However, your Company adopted certain quick corrective measures, which, to some extent, mitigated the negative effects of the downturn.

H. MATERIAL DEVELOPMENTS IN HUMAN RESOURCES/ INDUSTRIAL RELATIONS

Your Company continued to invest in human resources development. The total number of employees including subsidiaries as at 31st March, 2009 was 2000. (includes manpower in subsidiaries in UK).

Your Company believes in retaining talent. The attrition rate is 7.24% in India and Zero percent in UK fiscal 2009. This is possible as a result of continuously investing in learning and development programs for employees, creating a friendly work environment, empowering employees at all levels as well as structured reward and recognition mechanism.

The diversified human talent of your Company comprises of a work force belonging to different nationalities spread across the globe. This enables them to integrate and share their best practices, experiences, knowledge and skill sets.

Your Company has increased its operational productivity by reducing set-up time and adding machines in the critical path. Where possible, the cycle time has been reduced based on time studies conducted on the shop floor. New cutting tools have been introduced to hasten the manufacturing process.

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

The training and development programs conducted by your Company aim at aligning individual aspirations and capabilities with the organisation's goals, thereby ensuring that the employees remain motivated and committed to the Company's vision and long term growth.

Your Company conducts regular Town Hall meetings at all its units in India and UK, which facilitate interactions between employees at all levels and the senior management, including Executive Directors of the Company. These meetings have ensured a 'two-way' vertical flow of communication within the organization and serves as an effective feedback mechanism.

Your Company has introduced a Work-Flow management software in the HR department, which reduces administrative paperwork and brings more transparency in employee related policies.

DATA MANAGEMENT SYSTEM (DMS) introduced in the operational level enables the effective capture of data in electronic form and makes it available to interested parties. This instills confidence in customers as the data is readily available and can be viewed instantly without being tampered with in any way.

Your Company has appropriate mechanism in place to record data on individuals' contributions, creative ideas, skill levels, motivational activities, group efficiency and individual efficiency. Data pertaining to sociological and cultural issues that impede productivity and quality of work are captured and studied.

Your Company encourages all its employees to participate in the Employee Participation Program (EPP), where they can actively participate in improvement programs and take pride in the implementation of their suggestions. Employees are regularly rewarded for their ideas and efforts. The achievements made by the employees are presented to the various Committees of the Board.

The Leadership, Human Resource Development and Remuneration Committee, a Board level Committee meets at regular intervals to review HR Processes, Mentorship programming, Appraisal capsule, Management structure, Development of Leaders within the organization, up-gradation of the Human Resource Department, Increased employment of Women, Definition of Career paths for Employees, Harmonizing quality systems across the group, Review of HR Manual and to recommend and help implement best industry practices. A detailed report on the same forms part of the Corporate Governance report.

The strategies adopted by your company to develop and retaining talent are:

I. Special training through technical, behavioral and relationship based programs.

II. Creation of congenial, safe and secular work environment.

III. Participative Management in the Company's business processes, which instills a sense of ownership in the employees.

IV. Definition of clear career paths.

V. Exposure to your Company's global business streams.

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

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 recruits.

Corporate Governance involves value system of a Company including moral, ethical and legal value frame work under which business decisions are taken.

Securities Exchange Board of India (SEBI), with an objective to improve standards of Corporate Governance in India, in line with the needs of dynamic market, issued/issues circular/s directing all stock exchanges to amend Clause 49 of the Listing Agreement from time to time with Corporate Governance norms which increases the responsibility of listed companies to bring in transparency and accountability, and report the same in the Annual Report. Clause 49 of the Listing Agreement provides for the mandatory and non-mandatory requirements.

We believe that Corporate Governance is vital for enhancing and retaining stakeholders' trust. Guiding principles of Corporate Governance are becoming an integral part of business. Our Board exercises its fiduciary responsibility in a broad sense in every facet of its operations. 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.

Dynamatic® philosophy on Corporate Governance envisages enhancing overall shareholder value on a sustained basis by way of :

- Constitution of a highly independent Board of appropriate composition, size, varied expertise and commitment to discharge its responsibilities and duties.
- Ensuring timely disclosures, transparent accounting policies, and a strong, independent Board to help preserve shareholders' trust while maximizing long-term shareholder value and respecting minority rights.
- Best practices founded upon core values of transparency, professionalism, empowerment, equity and accountability.
- Fulfilling its obligations to other stakeholders such as customers, suppliers, financiers, employees, government and to society at large.
- upholding, sustaining and nurturing core values in all facets of its operations through growth and innovation
- Maximizing national wealth and adhering to transparent actions in business.

This philosophy of Dynamatic® has helped transform 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.

Corporate Governance Monitoring and Review process at Dynamatic® :

Dynamatic® continuously reviews its policies and practices of Corporate Governance with a clear goal not merely to complying with statutory requirements in letter and spirit but also to constantly endeavor to implement the best international practices of Corporate Governance, in the overall interest of all stakeholders.

Some of the initiatives taken by the Company towards strengthening its Corporate Governance system and practices include the following:

- The Company has constituted the Leadership, HRD & Remuneration committee to oversee the Corporate Governance practices, to Build leadership, to review polices from time to time based on the size and need of the Company and recommend the same to the Board for adoption.
- The Corporate Governance manual of the Company sets out the policies for effective functioning of the Board and its committees. It lays down various policies viz. Code of business conduct and ethics for Directors and Management personnel, Code of ethics for employees, Code of conduct for prohibition of Insider Trading, Code of conduct for SEBI (Substantial acquisition of Take over) Regulations, Key accounting policies, Interaction with investors/shareholders/analysts through analyst meet, conference call on quarterly results etc.,
- These policies are constantly monitored and reviewed by the said Committee, from time to time.
- The Company has appointed an independent practising Company Secretary to conduct Secretarial Audits. The Annual Audit Report of Corporate Governance is placed before the board.
- The Company is moving towards adherence to the Secretarial Standards issued by the Institute of Company Secretaries of India. These standards are recommendatory in nature.

A. BOARD COMPOSITION

Your Company's policy is to have an appropriate mix of Executive, Non Executive and Independent Directors to maintain the independence of the Board. The Board consists of 11 members, of whom seven are Non-Executive Directors and four are Executive Directors. One of the Executive Directors is a promoter of the Company. The Board periodically reviews the need for change in composition or its size.

Composition of the Board and Directorship/Membership held by Directors

Name of the Director	Age	Indian *Companies (Public* Companies)*	*Committee* Membership**	*Chairman of the* Committee ***
Non-Executive & Independent Directors				
Mr. Vijai Kapur	78	1	1	1
Dr. K. Aprameyan	66	2	2	1
Air Chief Marshal S. Krishnaswamy (Retd.)	66	1	2	2
Mr. Govind Mirchandani	58	1	-	-
Ms. Malavika Jayaram	38	1	1	-
Mr. S. Govindarajan#	66	2	1	-
Non-Executive & Non- Independent Directors				
Mr. Raymond Keith Lawton	56	1	1	-
Executive Directors				
Mr. Seshnath	51	1	-	-
Mr. N. Rajagopal	60	1	-	-
Mr. V. Sunder	47	2	1	-
Executive & Promoter Director				
Mr. Udayant Malhoutra	43	4	1	-

Notes:

None of the Directors are relatives within the provisions of Section 2(41) and Section 6 read with Schedule IA of the Companies Act, 1956.

None of the Directors are nominees of any bank/financial institution during the year 2008-09.

Ms. Shanti Ekambaram resigned as a Director with effect from 4th March, 2009.

- Includes Directorship in Dynamatic Technologies Limited.

** As required by Clause 49 of the Listing Agreement, the disclosure refers to membership/chairmanship of Audit Committee and Investor Grievance Committee of public companies (listed and unlisted).

*** The Chairmanship include Audit Committee, Investor Grievance Committee, Leadership, HRD & Remuneration Committee and Technical Development Committees.

Mr. S. Govindarajan was appointed as an Additional Director of the Company with effect from 5th March, 2009.

Independent Directors

Independent Director means a person other than an officer or employee of the Company or its subsidiaries or any other individual having a material pecuniary relationship or transactions with the Company which, in the opinion of our Board of Directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a Director within the meaning of Clause 49 of the Listing Agreement with Stock Exchanges.

Responsibilities of the Chairman, Executive Directors

Our present policy is to have a Non-Executive Chairman – Mr. Vijai Kapur.

Our Executive Directors are Mr. Udayant Malhoutra – CEO & Managing Director; Mr. V. Sunder –President& Group CFO; Mr. N. Rajagopal – Executive Director & CTO; Mr. B. Seshnath – Executive Director & CMO.

There are clear demarcation of responsibilities and authority among these officials. The Executive Directors of the Subsidiary companies incorporated either in India or abroad will be part of the Board as a Non-Executive Director of the Company.

The Executive Directors and senior management make periodic presentations to the Board on the Company performance and business growth in the units.

Directors' Profile

Brief profile of all the Directors, including expertise and experience is given below:

1. **Mr. Vijai Kapur, Chairman**

Mr. Vijai Kapur, aged 78 years was formerly, the Dy. Managing Director, GKW Limited and past President of –AIEI (now called CII). He has been the Director of the Company since 1992 and possesses rich business and managerial experience.

As the Chairman of the Board, he is responsible for all Board matters of the Company.

He is the Chairman of the Audit Committee and also a member of Leadership, HRD & Remuneration Committee of the Company.

2. **Dr. K. Aprameyan, Director**

Dr. K. Aprameyan is 66 years old and has been a Director of the Company since 2003.

Dr. Aprameyan is a Post Graduate in Automobile Engineering from The Indian Institute of Science (IISc), Bangalore, and has obtained his Doctorate in the field of Internal Combustion Engines from Paris University, France. He has held various senior positions and was the Chairman and Managing Director of Bharat Earth Movers Limited (BEML) from 1995 till his retirement in December 2002.

Dr. K. Aprameyan was instrumental in BEML emerging as a major player in diverse areas ranging from earth moving equipment to railways to defence, robotics and automation. He has served as Vice President of the Fluid Power Society of India and the Chairman of the Indian Earth Moving and Construction Industries Association (IECIAL). He was a former member of the Governing Council of Institute of Robotics and Intelligence Systems (IRIS) and National Council, Confederation of Indian Industries (CII). At present a member of selection committees of Indian Institute of Technology (IIT), Kanpur.

He is also a Director in Tehri Hydro Development Corporation Limited, Rishikesh, (a joint venture of Government of India and Government of U.P) with effect from 26th June, 2008.

Dr. Aprameyan is the Chairman of the Technical Development Committee and a member of Leadership, HRD & Remuneration Committee and Audit Committee of the Company.

3. Air Chief Marshal S. Krishnaswamy (Retd.), Director

Air Chief Marshal S. Krishnaswamy (Retd.), aged 66 years, joined the Indian Air Force as an under graduate. He has also obtained a post graduate degree in Military Science. He had a very distinguished career in the Indian Air Force and has held several senior positions, culminating in his appointment as the Chief of the Air Staff of the IAF from 2001 upto his retirement on 31st December 2004. At the time of retirement, he was the Chairman of the Chiefs' of Staff Committee.

During his service, he received various medals such as the AVSM, PVSM, VM, a bar to VM for his outstanding contribution.

In August 1999, he received the Agni Award for Excellence in Self Reliance-1998 from the Prime Minister for having made outstanding technical and operational contributions to the design, development and evaluation of indigenous combat aircraft, armament and EW systems while working closely with DRDO for many years.

Air Chief Marshal S. Krishnaswamy (Retd.) has been a Director of the Company since 2005.

He is the Chairman of the Leadership, HRD & Remuneration Committee and Shareholders' Committee and also a member of Technical Development Committee and Audit Committee of the Company.

4. Mr. Govind Mirchandani, Director

Mr. Govind Mirchandani, aged 58, has completed his Degree in Bachelor of Technology from Indian Institute of Technology, Mumbai and his PGDM from the Indian Institute of Management, Kolkata, having specialized in the areas of Leadership, Building High Performance Organizations, Brands and Retail Management. He had a very distinguished career and also has held positions of seniority in various industries for over three decades. He has worked as the Executive Director & CEO of Reid and Taylor, Director of Brand House Retails Limited, CEO &Director of Arvind Brands Limited, President of the Denim division of Arvind Mills Limited, President & CEO of Personality Limited, General Manager in Shalimar Paints Limited and the Business Head of the Interlinings division of Madura Coats Limited. He was also responsible for launching Arvind Denim in India in 1987 and also several other international and domestic brands in India Viz., Arrow, Lee, Wrangler, Excalibur, Newport, Reid & Taylor, Belmonte, Stephens Brothers etc. Govindhas won several IMAGES Awards and is a recipient of Indira Super Achiever Award as well as the coveted Bharat Vikas Award for outstanding contribution to the field of management. Govind has been the past Chairman of Young Presidents' Organisation, Bangalore Chapter, and the National Vice President, Indo – American Chamber Of Commerce.

Mr. Govind Mirchandani, has been a Director of the Company since 2008. He is the member of the Leadership, HRD & Remuneration Committee of the Company.

5. Ms. Malavika Jayaram, Director

Ms. Malavika Jayaram, Aged 38, is a lawyer and has completed her integrated BA-LLB degree in 1994 from the National Law School of India, Bangalore. She pursued her Masters of Laws (LLM) from Northwestern University, Chicago, and specialized in the fields of Computer Law, Intellectual Property Rights, International Business Transactions and EU Law. She is also qualified as a UK solicitor. At present Malavika is a partner in Jayaram & Jayaram since August 2006 and has experience in various fields of law including technology and e-commerce contracts, outsourcing transactions, intellectual property, joint ventures, mergers and acquisitions and general commercial contracts in the manufacturing, aerospace and other technology intensive sectors. Prior to joining as a partner in Jayaram & Jayaram, Malavika has worked with Citigroup, Investment Banking division as a Vice President in the Technology Legal Team and also as a Senior Business Analyst within the Operations function.

Ms. Malavika has been a Director of the Company since 2008. She is a member of Technology Development Committee of the Company.

6. Mr. S. Govindarajan, Director

Mr. Govindarajan, aged 66 has had an outstanding career in State Bank of India which culminated in him becoming the Managing Director & Group Executive (National Banking Group).

He has the rare distinction of having served the largest Bank in India in various diverse capacities as its Chief Financial Officer, Chief Treasury officer and earlier, Chief Executive Officer - Hong Kong. Added to this he has also served as Banking Ombudsman, Reserve Bank of India.

He was nominated on the Board of SBI Cards & Payment Services Pvt. Ltd., GE Capital Business Process Management Services Pvt. Ltd., State Bank of India, Canada, SBI International (Mauritius) Ltd., National Stock Exchange of India Ltd., SBI Life Insurance Company Ltd.,. He is also an Independent Director on the Board of KLG Systel Ltd., Gurgaon, Haryana.

Mr. Govindarajan has been a Director of the Company since 2009. He is a member of Audit Committee of the Company.

7. Mr. Raymond Keith Lawton, Director

Mr. Raymond Lawton, aged 56 years old, graduated in Higher National Diploma in both Mechanical and Production engineering in 1973. He was awarded Management Fellowship in 1981.

During the year 2006-07, the Company acquired the Hydraulic Business unit of Sauer Danfoss Ltd., UK at Swindon. Mr. Lawton was the Chairman and Managing Director of Sauer Danfoss Ltd, Swindon since 2004. He started his career during 1969 as a Mechanical Engineering apprentice in Plessey Hydraulics Limited and became a Jr. Planning Engineer in 1973. He has held various positions in his career, which spans over three decades and progressed steadily to become the Plant manager of Sauer Danfoss in 2003. Raymond Lawton became the Executive Chairman of Sauer Danfoss, Swindon in 2004. He is currently Executive Director & Chief Operating Officer, Dynamatic Limited, UK, a 100% subsidiary of the Company

Mr. Raymond Lawton has been instrumental in transforming the facility in Swindon from a conventional manufacturing plant in to a modern high quality manufacturing company by introducing modern manufacturing methods and techniques. During his career in Sauer Danfoss he was responsible for the setting up and installation of two Greenfield manufacturing plants, both of which are running successfully.

He is a member of Audit Committee and Technical Development Committee of the Company.

8. Mr. B. Seshnath, Executive Director & Chief Marketing Officer

Mr. B. Seshnath aged 51 years, is a Mechanical Engineer with an MBA from the Indian Institute of Management, Bangalore. He has two decades of marketing experience in the Automotive, Pneumatic and Hydraulic Industries, having worked in different parts of India in senior management positions. His managerial abilities has enabled your Company to considerably develop its network of branch offices and distributors, which has in turn resulted in the expansion of the Company's operations in India and abroad. He was formerly Executive Director & Chief Operating Officer of JKM Dae Rim Automotive Limited, (currently a division of Dynamatic Technologies Limited) prior to his appointment at Dynamatic Technologies as ED & Chief Marketing Officer (CMO) of the Company.

Mr. Seshnath as Executive Director & Chief Marketing Officer - will be responsible for Business Development and Associated Product Development, at a strategic level. He will have oversight of relationship management with strategic customers of all the Business units of the Group.

9. Mr. N. Rajagopal, Executive Director & Chief Technology Officer

Mr. N. Rajagopal aged 60 years is a Mechanical Engineer with over three decades of rich, comprehensive experience in engineering. He has served the Company in various capacities since 1980 and has competently managed various operative functions of the Company such as production, materials, design and development, etc. He has been a Director of your Company since, 2002. He was a former Director of JKM Daerim Automotive Limited (currently a division of Dynamatic Technologies Limited) and also formerly Executive Director & Chief Executive Officer, Dynamatic® Hydraulics & Dynametal®.

Mr. Rajagopal as Executive Director and Chief Technology Officer, responsible for new product development and management of Companies Technical capabilities at strategic level.

He is a member of Technical Development Committee of the Company.

10. Mr. V. Sunder, President & Group Chief Financial Officer

Mr. V. Sunder aged 47 years, is a senior member of The Institute of Company Secretaries of India. He has served as CEO & Executive Director of JKM Dae Rim Automotive Limited (formerly subsidiary of Dynamatic Technologies Limited) from 2000 to 2006. During his tenure the Company grew manifold in terms of sales and profitability and acquisition of new customers. He has served the Company for the past eleven years in various Senior Management positions, prior to his appointment as CEO & Executive Director of JKM Dae Rim Automotive. Prior to taking charge as Executive Director of JKM Dae Rim Automotive, he was the General Manager- Corporate Planning & Company Secretary of the Company.

Mr. Sunder as President & Group Chief Financial Officer heads Corporate functioning of finance and works along with Mr. Udayant Malhoutra, CEO & Managing Director in planning & driving Corporate Strategy.

He is a member of Shareholder's Committee of the Company.

11. Mr. Udayant Malhoutra, CEO & Managing Director

Mr. Udayant Malhoutra aged 43, is an Industrialist and Promoter of your Company. He has been associated with Dynamatic Technologies Limited as Executive Director since 1989. Currently designated as CEO & Managing Director of the Company.

He was a former Member, Board of Governors, IIT Kanpur (1997-2001), Chairman, CII National Council (2001-2002). He was President, Fluid Power Society of India, (2004-09).

Mr. Udayant Malhoutra, as Chief Executive Officer & Managing Director, is responsible for overall Corporate Strategy, Brand Equity, Maintenance of Key Relationships, Technology Management and achieving the Annual Business Plan of the Company and its Subsidiaries. He is also responsible for leading the leadership team of Dynamatic® in transforming the Company into a world class design and manufacturing organization.

He is also a member of Technical Development Committee and Shareholder's Committee of the Company.

Board membership criteria

The Chairman works with the entire Board to determine the appropriate characteristics, skills and experience required for the Board as a whole, as well as its individual members. Each independent Director posses specialized skills in the areas of their profession including strategy, technology, finance, quality and human resources. Independent Directors guide the Board in achieving the vision and mission of the Company. Executive Directors are required to posses operational expertise in their areas of performance.

Selection of New Directors

The Board is responsible for the selection of new Directors. The process of screening and selection of new Directors is undertaken by the Leadership, HRD & Remuneration Committee. This Committee in turn makes recommendation to the Board for the induction of any new Director.

Board compensation policy

Leadership, HRD & remuneration Committee determines and recommends to the Board, the compensation payable to the Directors. All Board level compensation payable is approved by the requisite authorities as may be required under Indian statute. Remuneration of Executive Directors consists of fixed components and performance incentives. The Committee reviews the performance of Executive Directors annually and approves the compensation within the parameters set by the Shareholders at the Shareholder's meetings.

Only sitting fees is paid to Non-Executive Directors for attending the Board/Committee Meetings and the amount paid is within the limits specified by the Central Government from time to time.

Compensation Paid to the Directors for the Year ended 31st March, 2009.

Name of the Director	Sitting Fees*	Remuneration		Total Rs.	No. of Shares Rs.
		Salary & Allowance Rs.	Perquisites Rs.		
Non-Executive & Independent					
Mr. Vijai Kapur	105,000	-	-	105,000	-
Dr. K. Aprameyan	180,000	-	-	180,000	-
Air Chief Marshal S. Krishnaswamy (Retd.)	225,000	-	-	225,000	77
Ms. Shanti Ekambaram	45,000	-	-	45,000	-
Mr. Raymond Keith Lawton	60,000	-	-	60,000	-
Mr. Govind Mirchandani	90,000	-	-	90,000	-
Ms. Malavika Jayaram	90,000	-	-	90,000	-
Executive					
Mr. B. Seshnath	-	2,141,094	165,906	2,307,000	-
Mr. N. Rajagopal	-	2,116,994	235,867	2,352,861	278
Mr. V. Sunder	-	2,556,957	243,600	2,800,557	-
Executive & Promoter					
Mr. Udayant Malhoutra	-	2,919,981	206,612	3,126,593	935,447

No Stock options were granted during the year.

B. BOARD MEETINGS

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 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 the appropriate background notes are circulated to the Board members for meaningful discussion. Teleconference facilities are utilized also used to enable Directors who are traveling to participate in the meetings.

During the year five (5) Board meetings were held on 27thJune 2008, 30th July, 2008, 27th September, 2008, 29th October, 2008 and 31st January, 2009.

Board Meetings and the Attendance of Directors

Name of the Director	No. of Meetings Held	No. of Meetings Attended
Mr. Vijai Kapur	5	4
Dr. K. Aprameyan	5	5
Air Chief Marshal S. Krishnaswamy (Retd.)	5	5
Ms. Shanti Ekambaram*	5	2
Mr. Raymond Keith Lawton	5	2
Mr. Govind Mirchandani	5	5
Ms. Malavika Jayaram	5	5
Mr. B. Seshnath	5	5
Mr. N. Rajagopal	5	5
Mr. V. Sunder	5	5
Mr. Udayant Malhoutra	5	5

Note: All the directors attended the Annual General Meeting held on 27th September, 2008.
*Ms. Shanti Ekambaram, attended two (2) meetings through teleconference other than the one stated above.

Availability of information to Board members

The Board has unencumbered access to any relevant information of the Company. At Board meetings, employees/persons who can provide further insights into the items being discussed are invited.

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 the information as specified in Annexure 1A of Clause 49 of the Listing Agreement with the Stock Exchanges.

The information regularly supplied to the Board includes Annual operation plans and budgets, Capital budgets and updates, Quarterly results of our operating divisions or business segments, Minutes of the meetings of the Board and Committees, General notice of interest, Recommending dividend keeping in view the Company's profitability and the requirement of funds for the future growth of the Company, Determining Directors who need to retire by rotation and recommending fresh appointments of Directors/Auditors, Authentication of annual accounts and approving Director's Report, Materially important litigations, Show cause, Demand, Prosecution and penalty notices, Fatal or serious accidents, Material effluent or pollution problems, Issues involving public or product liability claims, Details of joint ventures, Acquisition of companies or collaborations agreements, Intellectual property related matters, Human Resource Development, Investments, Subsidiaries, Foreign exchange exposure, Company's risk management policies, Non compliance of regulatory, Statutory or listing requirements, Shareholder services and 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 members/ invitees.

- The functional heads can attend Board/Committee meetings as invitees as and when required.
- The Company Secretary acts as Secretary to all the Committees constituted by the Board.

Recording Minutes of the Proceedings of Board/Committee meetings.

The Company Secretary records the minutes of the proceedings of Board and Committee Meetings. 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 meetings are entered in the minutes book within 30 days of the conclusion of the meeting.

Post Meeting Follow-up Mechanism

Your 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.

Compliance with Laws

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

Code of Business Conduct & Ethics

The Company has framed and adopted a detailed written *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 adhers to the set of moral values and policies enjoined in the Code. The Board members and senior management 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 accordance with of Clause 49 of the Listing Agreement, the declaration is signed by Mr. Udayant Malhoutra, Chief Executive Officer & Managing Director and Mr. V. Sunder, President & Group CFO of the Company as elsewhere reported in this report.

C. BOARD COMMITTEES

Currently, the Board has four (4) Committees: Audit committee, Leadership, HRD & Remuneration Committee, Shareholders Committee and Technical Development Committee.

Procedure at Committee Meetings

The Company's guidelines relating to Board meetings are applicable to Committee meetings as far as may be practicable. Minutes of the proceedings of the Committee meetings are placed before the Board meetings for perusal and records. The Quorum for the meetings is either two members or one third of the members of the Committee, which ever is higher.

1. Audit Committee

The Board level Audit Committee has been constituted at its Board meeting held on 21st July, 2001, with the following stated powers and terms of reference. The Board reviews the scope of the Committee and its terms of reference from time to time.

Composition

The Audit Committee of the Board comprises of the following five (5) Non Executive Directors:
Mr. Vijai Kapur, Chairman
Dr. K. Aprameyan
Air Chief Marshal S. Krishnaswamy (Retd.)
Mr. Raymond Keith Lawton
Mr. S. Govindarajan*

* Mr. S. Govindarajan been co-opted as a member of the Committee since 2nd May, 2009.

Shanti Ekambaram retired as a Director since, 4th March, 2009 who was also a member of Audit Committee.

Dr. K. Aprameyan, an Independent Director is the Alternate Chairman of the committee.

All the members of the Committee are Independent except Raymond Keith Lawton, Executive Director of the Subsidiary, Dynamatic Limited, UK.

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 composition of the Audit Committee meets the requirements of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing agreement.

Objective

The Audit committee assists the Board in its responsibility:

- For overseeing the quality and integrity of the accounting, auditing and reporting practices of the Company and its compliances with the legal and regulatory requirements.
- Overseeing the audits of the Company's financial statements, appointment, independence and performance of Internal Auditors and the Company's risk management policies.

Terms of Reference

Powers of the Audit Committee include:

- Investigate on any activity within its terms of reference.
- Seeking information from any employee.
- obtaining outside legal or other professional advice.
- Securing attendance of outsiders with relevant expertise, if necessary.

The Role of Audit Committee includes:

- Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.

- Recommending to the Board, the appointment, re-appointment and if required, the replacement or removal of Statutory Auditor and fixation of audit fee.
- Approval of payment to Statutory Auditors for any other services rendered to the Company.
- Reviewing with the management, the annual financial statements before submission to the Board for approval.
- Reviewing with the management, the quarterly financial statements before submission to the Board for approval.
- Reviewing with the management, performance of Statutory and Internal Auditor, and adequacy of internal control systems of the Company.
- Reviewing the adequacy of Internal Audit Function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of Internal Audits.
- Discussion with Internal Auditors on any significant findings and follow-up thereon.
- Reviewing the findings of any internal investigations by the Internal Auditors into matters where there is a suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- Discussion with the Statutory Auditors before the audit commences about the nature and scope of audit as well as post-audit discussions to ascertain any area of concern.
- Reviewing the Company's financial and risk management policies.
- To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared Dividends) and creditors, if any;
- Reviewing the financial statements, particularly the investments made by the Subsidiary Company/ies.
- Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

Attendance at Audit Committee Meetings Held During the Year 2008-09

Audit Committee meetings were held on 27th June, 2008, 30th July, 2008, 29th October, 2008 and 31st January, 2009.

Name of the Director	No. of Meetings	
	Held	Attended
Mr. Vijai Kapur	4	3
Dr. K. Aprameyan	4	4
Air Chief Marshal S. Krishnaswamy (Retd.)	4	4
Ms. Shanti Ekambaram*	4	1
Mr. Raymond Lawton	4	1

*Ms. Shanti Ekambaram, attended two (2) meetings through teleconference other than the one stated above.

Executive Directors of the Company/Subsidiary Company/ies, Internal Auditors, representatives of Statutory Auditors and Financial Controller attend as invitees 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. The Statutory Auditors and Internal Auditor actively participate and recommend the required policies and changes from time to time.

The Chairman of the Audit committee was present at the Annual General Meeting held on 27th September, 2008 to answer shareholders' queries.

2. Leadership, HRD & Remuneration Committee

Your company had constituted a *"Remuneration committee"* at its Board meeting held on 7th July, 2002. Considering the need for developing leadership within the group and the significance of absorbing, retaining and training high quality manpower, the Remuneration Committee was renamed as the *"HRD & Remuneration Committee"* with effect from 22nd July, 2006. Further, the Committee was entrusted with additional responsibilities and renamed as the *"Leadership, HRD & Remuneration Committee"* with effect from 11th February, 2008.

The Committee comprises of four(4) Non-Executive, Independent Directors:

Air Chief Marshal S. Krishnaswamy (Retd.), Chairman
Mr. Vijai Kapur
Dr. K. Aprameyan
Mr. Govind Mirchandani*

*Mr. Govind Mirchandani, co-opted as a member of the Committee with effect from 29th October, 2008.

Dr. K. Aprameyan, an Independent Director is the Alternate Chairman of the Committee.

Purpose

The purpose of the said Committee is:

- To build leadership within the group
- To guide management in building a strong, world-class and competitive business model to sustain business growth.
- To discharge the Board's responsibilities relating to the compensation of the Company's Executive Directors and senior management.
- To assume the overall responsibility for approving and evaluating the compensation plans, policies and programs for Executive Directors and senior management.
- To review the existing HR policies and recommend necessary changes from time to time.

Attendance at the Leadership, HRD & Remuneration Committee Meetings held during the year 2008-09.

The Committee meeting was held on 26th June, 2008.

Name of the Director	No. of Meetings	
	Held	Attended
Air Chief Marshal S. Krishnaswamy (Retd.)	1	1
Mr. Vijai Kapur	1	0
Dr. K. Aprameyan	1	1

3. **Shareholder's Committee/Investor Grievance Committee**

The Board level Shareholder's Committee comprises of three (3) Directors. They are:

Air Chief Marshal
S. Krishnaswamy (Retd), Chairman
Mr. V. Sunder
Mr. Udayant Malhoutra

Attendance at the CommitteeMeetings held during the year 2008-09

The Committee Meetings were held on 26th June, 2008, 30th July, 2008, 29th October, 2008 and 31st January, 2009.

Name of the Director	No. of Meetings	
	Held	Attended
Air Chief Marshal S. Krishnaswamy (Retd.)	4	4
Mr. V. Sunder	4	4
Mr. Udayant Malhoutra	4	4

Compliance officer

Ms. G. Haritha, Company Secretary is the Compliance Officer for complying with the requirements of SEBI Regulations and the Listing Agreement with the Stock Exchanges in India.

Purpose

The primary object of this Committee is to review all issues relating to shareholders including share transfers, redressal of shareholders'/ investor grievances, issues relating to duplicate share certificates, transmission of shares and other related matters.

Investor Grievance report for the year 2008-09

The details of the types and number of complaints received and resolved during this period are as under:

Details of Complaints During the Year 2008-09

Nature of Complaints	Received During the year	Resolved During the year
Letter from SEBI/ROC/ Stock Exchanges	12	12

There were no outstanding complaints as on 31st March, 2009. 28 requests (2,268 Equity shares) for transfers and 11 requests (1,557 Equity shares) for transmissions and deletion of name and 103 requests (108,580 Equity shares) for dematerialization were received and approved by the Company. The Company has approved all requests which had fulfilled the legal requirements. In the case of those requests where additional information/clarifications were required, the shareholders have been intimated about the requirements.

In addition, various communications viz. request for annual reports, revalidation of dividend warrants, change of address, transfer of shares etc., have been received from the shareholders by the Registrars of the Company or at the Registered office of the Company and these have been addressed to the satisfaction of the shareholders.

Every quarter, the Company reviews various communications received by the Registrars, who are located at Hyderabad. These communications and the replies furnished are made available to the Company through Karvy's website Karvy, Karisma. A quarterly report of the same is submitted to the Committee for improving the investor relations and services provided to them. Karvy is providing high standards of shareholder servicing through their services and updated technological support, thereby ensuring that your Company provides its investors the best possible services.

Share Transfer Committee – Sub Committee of Shareholders' Committee

A Share Transfer Committee has been constituted by the Board to ensure timely and efficient servicing of requests for share transfers and transmissions.

It comprises of the following members:

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

The Committee has the responsibility of approving cases which comply with the required provisions of the applicable laws of India relating to share transfers, transmissions, transpositions, duplicate share certificates, exchange, consolidations, etc, on a fortnightly basis. The status on complaints and share transfers is reported to the Board.

Share transactions in electronic form can be effected in a much simpler and faster manner. After confirmation of sale/purchase transaction from the broker, shareholders should approach the depositary participant with a request to debit or credit the account for the transaction. Shareholders are periodically requested to utilize the demat facility.

4. **Technical Development Committee (a voluntary initiative of the Company)**

A Board level Technical Development Committee was constituted by the Board in 2003, has been driven by the technocrats of the Nation. The majority of its products are proprietary in nature, and have augmented the Intellectual properties of the Company. Dynamatic®has registered patents and trade marks for its various products and its processes in India and across the Globe from time to time.

Objective

The Committee provides direction on the Company's Research and Development strategy and on key issues pertaining to R&D technology. The Committee also reviews and update the skills and competencies required, the structure and the process needed to ensure that the R&D initiatives to today result in products necessary for the sustained and long term growth of the Company.

The Committee comprises of the following members:

Dr. K. Aprameyan, Chairman
Air Chief Marshal S. Krishnaswamy (Retd.)
Mr. Raymond Lawton
Ms. Malavika Jayaram*
Mr. N. Rajagopal
Mr. Udayant Malhoutra

*Ms. Malavika Jayaram co-opted as a member of the Company with effect from 29th October, 2008.

Attendance at the Technical Development Committee meetings during the year 2008-09.

The meeting was held on 26th June, 2008.

Name of the Director	No. of Meetings	
	Held	Attended
Dr. K. Aprameyan	1	1
Air Chief Marshal S. Krishnaswamy (Retd.)	1	1
Mr. Raymond Lawton	1	1
Mr. N. Rajagopal	1	1
Mr. Udayant Malhoutra	1	1

The Technical and operations heads attend the Committee meeting to present the improvements, made with regard to new technical products and innovation. Which deliver greater value to its existing and new OEM customers.

D. SUBSIDIARY COMPANIES

All the Subsidiary companies of the Company are managed by the Board to manage such companies in the best interest of their stakeholders. The Executive Directors of the Subsidiaries are nominated as Non Executive Directors of the Company to monitor the performance of such companies. Financial statements, in particular the investments/loans made by the unlisted subsidiary companies, are reviewed quarterly by the Audit Committee. All minutes of the meetings of material unlisted Subsidiary Companies are placed before the Company's Board regularly.

A statement containing all significant transactions and arrangements entered into by the unlisted Subsidiary Companies is placed before the Company's Board.

Your Company has following Subsidiaries:

JKM Research Farm Limited, India
JKM Global Pte. Limited, Singapore
Dynamatic Limited, United Kingdom
DM 38 Limited, United Kingdom
Yew Tree Investments Limited, United Kingdom
Oldland Aerospace Limited, United Kingdom

During the year the Company has obtained exemption from the Government of India, Ministry of Company Affairs from attaching the financial accounts of the Subsidiary companies to this Report pursuant to Section 212 of the Companies Act, 1956. However, a statement showing the relevant details of the Subsidiaries is enclosed and is a part of the Annual Report.

E. SHAREHOLDERS' DISCLOSURES

Disclosure regarding appointment or re-appointment of Directors

Under Section 256 of the Companies Act, 1956 read with the Articles of Association of the Company one third of the Directors retire by rotation and, if eligible, seek re-appointment at the Annual General Meeting. As per Article 130 of the Articles of Association, Dr. K. Aprameyan, Air Chief Marshal S. Krishnaswamy (Retd.), Ms. Malavika Jayaram and Mr. Govind Mirchandani will retire in the ensuing Annual General Meeting. The Board has recommended the re-appointment of all the retiring Directors.

The detailed profiles of all these Directors are provided elsewhere in this report.

Communication to Shareholders'

The Quarterly results of the Company for the quarters ended 30th June, 30th September, 31st December and 31st March, of the Company are published in the Business Standard, all India Edition and in Sanjevani-Bangalore Edition. The results are displayed on the Company's website www.dynamatics.com. within 24 hours of release. The Company's website is regularly updated with enterprise-wide news and events of material importance. The Shareholding pattern, quarterly results are uploaded on the EDIFAR (Electronic Data information Filing and Retrieval System) SEBI website, www.sebi.gov.in. Official announcements and media releases are sent to the Stock Exchanges regularly.

The conference calls with Analysts and Shareholders/ Investors are conducted as may be necessary from time to time.

The Annual report containing, inter alia, Audited Financial Statements, Consolidated Financial Statements, Directors' Report, Auditors' Report, and other important information is circulated to members and others entitled thereto.

Printed copy of Chairman's speech is distributed to all the shareholders at the Annual General Meetings.

The Company issues reminders to concerned Shareholders about unclaimed dividend as well as physical form shares which require demating.

Management Discussion and Analysis Report

This forms part of the Directors' Report.

Risk Management Policy

This forms part of the Management Discussion and Analysis Report.

Proceeds from Public Issues, Rights Issues and Preferential Issues etc.,

During the year, your Company has allotted 604,000 Equity shares of Rs.10/- each to Foreign Institutional Investor's through Qualified Institutional Placement under the SEBI guidelines.

Remuneration of Directors

Compensation in the form of sitting fees to Non-Executive Directors and remuneration to Executive Directors, including the number of shares held by the Directors has been disclosed elsewhere in this report.

Non Compliances

There are no instances of non-compliance by the Company, penalties and strictures imposed on the Company by Stock Exchanges or SEBI or any statutory authorities, on any matter related to capital markets during the last three years.

Disclosure of materially significant Related party Transactions i.e transactions of the Company of material nature, with its Promoters, the Directors or the management, their relatives, or Subsidiaries, etc. that may have potential conflict with the interests of the Company at large.

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.

All individual transactions with related parties were on an arms length basis and are intended to further the interests of the Company. 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 of the financial statements. A detailed report is disclosed as a part of financial statements in this Annual report.

Whistle Blower mechanism

Your company promotes ethical behaviour in all its business activities and has put in place a mechanism of reporting illegal or unethical behaviour. Employees may bring any violation of laws, rules, regulations or unethical conduct to the notice of their immediate head of operations or through Employee Participation Program. The employees are also encouraged to contact any Executive Director of the Company including CEO & Managing Director about such matters. The Directors and management personnel are mandated to maintain confidentiality of such reporting and ensure that no discriminatory actions are taken.

General Body Meetings

Annual General Meetings / Extraordinary General Meetings:

Location, date and time of the Annual General Meetings / Extraordinary General Meetings held during the preceeding three years and the Special resolutions passed thereat are as follows:

Year	Venue	Date and Time	Special Resolutions passed
2005-06 AGM	Dynamatic Technologies Limited Dynamatic Park Peenya Bangalore 560 058	16th September, 2006 at 3.00 p.m.	Approval for borrowing powers in excess of paid-up capital and free reserves not exceeding Rs.75 Crores.
2006-07 AGM	''	28th September, 2007 at 2.30 p.m.	*Approval for borrowing powers in excess of paid-up capital and free reserves not exceeding Rs.150 Crores.
2007-08 AGM	''	27rd September, 2008 at 3.00 p.m.	*Approval for Increasing FII Limits
2006-07 EGM	''	28th September, 2007 at 4.15 p.m.	*Approval of scheme of merger of JKM Daerim Automotive Limited with Dynamatic Technologies Limited.
2007-08 EGM	''	30th June, 2008 at 3.00 p.m.	Approval of Issue of Shares to persons other than existing shareholders through QIP Placement. *Approval for borrowing powers in excess of paid-up capital and free reserves not exceeding Rs.300 Crores.

During the year, there was no resolution passed through postal ballot within the meaning of Section 192A of the Companies Act, 1956.

General Shareholder Information

Your Company was incorporated in Bangalore, in 1973, as Dynamatic Hydraulics Limited within the provisions of the Companies Act, 1956 and changed its name to Dynamatic Technologies Limited in 1992. Your Company made an initial public offer in 1974 and by 1995, had made five rights issues and one bonus issue. During 2008, Equity Shares have been issued to the shareholders of JDAL on merger of JDAL with your Company, During the year, your Company has allotted shares to Foreign Institutional Investors' through Qualified Institutional Placement under SEBI Guidelines.

The Equity Shares of the Company are listed on the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited.

The address of registered office is 'Dynamatic Park Peenya', Bangalore 560 058, Karnataka, India.

Unclaimed dividend

Section 205 of the Companies Act, 1956 mandates that companies transfer dividend that has been unclaimed for a period of seven years from unpaid dividend account to the Investor Education and Protection Fund (IEPF). As given in the following table, the dividend for the years mentioned below, if unclaimed within a period of seven years, will be transferred to IEPF.

Dividend for the Year	Date of Declaration of Dividend	Last date for Claiming Unpaid Dividend	Due Date for Transfer to IEPF
2002-03	24.09.2003	24.09.2010	23.10.2010
2003-04	30.08.2004	30.08.2011	30.09.2011
2004-05			
Interim dividend	29.10.2004	29.10.2011	29.11.2011
Final dividend	23.07.2005	23.07.2012	23.08.2012
2005-06			
Interim dividend	25.11.2005	25.11.2012	25.12.2012
Final dividend	16.09.2006	16.09.2013	16.10.2013
2006-07			
Interim dividend	08.06.2007	08.06.2014	08.07.2014
Final dividend	28.09.2008	28.09.2015	28.10.2015
2007-08			
Interim dividend	22.01.2008	22.01.2015	22.02.2015
Final dividend	27.09.2008	27.10.2015	27.11.2015
2008-09			
Interim dividend	02.05.2009	02.05.2016	02.06.2016

Your company will send a communication to the concerned shareholders, advising them to lodge their claims with respect to unclaimed dividend. Once the unclaimed dividend is transferred into the IEPF, no claim shall be made in respect thereof and so, Shareholders are requested to submit their claims within the specified date.

Dividend Payment to Shareholders

The Board of Directors of the Company declared an Interim Dividend of 25% on 2nd May, 2009.

The Record date for the purpose of payment of Interim Dividend was fixed as 7th May, 2009.

Your Board of Directors have recommended a Final Dividend of 15% on 30th June 2009.

The Register of Members and Share Transfer Books will remain closed from 20th August, 2009 to 25th August, 2009 (both days inclusive) to determine the entitlement of shareholders to receive the Final Dividend as may be declared for the year ended 31st March, 2009.

Final Dividend will be paid on or before 24th September, 2009 to those members whose names appear on the Company's register of members, after giving effect to all valid share transfers in physical form lodged with M/s. Karvy Computershare Private Limited, Registrar and Share Transfer Agent of the Company.

In respect of shares held in electronic form, dividends will be paid to those deemed members whose names appear in the statements of beneficial ownership furnished by NSDL and CDSL as at the opening hours on 20th August,2009.

Investor services

The Company has paid the Stock Exchanges the listing fee for the year 2009-10 for the continued listing of its shares in India, where the shares of the Company are listed.

Annual General Meeting for the year 2008-09

Date and time 25th August, 2009 at 3.00 p.m.

Venue Dynamatic Technologies Limited 'Dynamatic Park Peenya' Bangalore 560 058.

Financial calendar **Our tentative calendar for Declaration of results for the financial year 2009-10 is given below:**

Calendar for Reporting:

Quarter ended	Release of results
30th June, 2009 (Unaudited 1st quarter results)	End of July, 2009
30th September, 2009 (Unaudited 2nd quarter results)	End of October, 2009
31st December, 2009 (Unaudited 3rd quarter results)	End of January, 2010
31st March, 2010 (Audited 4th quarter results)	End of June, 2010

International Securities Identification Number (ISIN No):

ISIN is an identification number for traded shares. Which needs to be quoted in every transaction relating to the dematerialized shares of the Company. The ISIN number for DTL Equity shares is INE221B01012.

Corporate Identity Number (CIN):

CIN, allotted by the Ministry of Corporate Affairs, Government of India is L85110KA1973PLC002308 and our Company registration Number is 2308.

Shareholding Pattern

Category	31st March, 2009		31st March, 2008	
	No. of Shares Held	Percentage	No. of Shares Held	Percentage
PROMOTERS HOLDING				
Indian Promoters				
Udayant Malhoutra	945,447	17.47	1,050,854	21.84
JKM Holdings Pvt. Ltd	803,135	14.83	803,135	16.70
Udayant Malhoutra & Co. Pvt. Ltd	617,243	11.40	617,243	12.83
JKM Offshore India Pvt. Ltd	414,769	7.66	414,769	8.62
Wavell Investments Pvt. Ltd	119,790	2.21	119,790	2.49
Barota Malhoutra	4,938	0.09	4,938	0.10
J. K. Malhoutra	100	0.00	100	0.00
Vita Pvt. Ltd	100	0.00	100	0.00
Christine Hoden (I) Pvt. Ltd	100	0.00	100	0.00
Primella Sanitary Products Pvt. Ltd	100	0.00	100	0.00
Total	**2,905,722**	**53.66**	**3,011,129**	**62.59**
NON–PROMOTERS HOLDING				
Institutional Investors	0	0.00	0	0.00
Mutual Funds	10,650	0.20	10,650	0.22
Banks, Financial Institutions, Insurance Companies	551	0.01	392	0.01
Foreign Institutional Investors	1,320,737	24.39	447,460	9.30
Total	**1,331,938**	**24.60**	**458,502**	**9.53**
Others				
Private Corporate Bodies	120,544	2.23	166,753	3.47
Indian Public	1,023,560	18.90	1,124,259	23.37
NRIs/OCBs	28,414	0.50	37,671	0.78
Trust	3,878	0.07	3,924	0.08
Clearing Agents	647	0.01	8,465	0.18
Total	**1,177,043**	**21.74**	**1,341,072**	27.88
Grand Total	**5,414,703**	**100.00**	**4,810,703**	**100.00**

Distribution Schedule

Particulars	31st March, 2009				31st March, 2008			
No. of Equity Shares held	No. of Share holders	% of Total Share holders	No. of Shares	% of No. of Shares	No. of Share holders	% of Total Share holders	No. of Shares	% of No. of Shares
1 – 5000	5,163	92.49	408,463	7.54	5,886	99.29	950,387	19.76
5001-10000	235	4.21	166,044	3.07	16	0.27	107,550	2.24
10001-20000	95	1.70	137,873	2.55	7	0.12	102,738	2.14
20001-30000	26	0.47	65,113	1.20	2	0.03	48,257	1.00
30001-40000	16	0.29	58,850	1.09	3	0.05	104,826	2.18
40001-50000	6	0.11	29,752	0.55	3	0.05	144,000	2.99
50001-100000	14	0.25	85,863	1.59	2	0.03	106,371	2.21
100001&ABOVE	27	0.48	4,462,745	82.42	9	0.15	3,246,574	67.49
Total	**5,582**	**100.00**	**5,414,703**	**100.00**	**5,928**	**100.00**	**4,810,703**	**100.00**

Notes : Equity Shares with face value of Rs. 10/- each

Share Market Price Data

The monthly high and low quotations and the volume of shares traded on the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited for the year 2008-09

Month	BSE			NSE		
	High (Rs.)	Low (Rs.)	Volume of Shares Traded	High (Rs.)	Low (Rs.)	Volume of Shares Traded
April, 08	1,295	1,000	16,960	1,275	1,002	6,820
May, 08	1,349	1,086	15,682	1,300	1,076	8,595
June, 08	1,295	1,006	228,879	1,275	1,049	55,477
July, 08	1,335	1,030	33,038	1,315	1,030	7,123
August, 08	1,374	1,189	9,277	1,398	1,181	2,278
September, 08	1,289	965	8,528	1,300	960	42,091
October, 08	1,160	495	69,978	1,204	482	56,298
November, 08	744	485	9,597	695	502	5,919
December, 08	560	413	15,018	579	425	3,267
January, 09	550	324	17,518	558	335	10,254
February, 09	520	386	38,425	533	385	11,446
March, 09	520	395	88,983	543	371	3,023

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

Status of Dematerialisation of Shares

	31st March, 2009		31st March, 2008	
Particulars	**No. of Shares**	**% of Total Shares**	**No. of Shares**	**% of Total Shares**
National Securities Depository Limited	2,729,913	50.42	2,001,837	41.61
Central Depository Services (I) Limited	104,833	1.94	120,629	2.51
Total Dematerialized	**2,834,746**	**52.36**	**2,122,466**	**44.12**
Physical	2,579,957	47.64	2,688,237	55.88
Grand Total	**5,414,703**	**100.00**	**4,810,703**	**100.00**

INVESTOR CONTACTS

For queries relating to financial statements/ shares/dividends/complaints/ Investor correspondence

Ms. G. Haritha
Company Secretary and Compliance officer
Tel. : +91 80 28394933/34/35 Extn. 254
Fax : +91 80 2839 5328
Email : haritha@dynamatics.net

Registrar and Share Transfer Agents
Karvy Computershare Private Limited
Plot No. 17-24, Vittal Rao Nagar, Madhapur
Hyderabad -500 081
Tel.: +91 40 2342 0815 -20
Email: sanjayrao@karvy.com

Depository for Equity Shares

National Securities Depository Limited
Trade World, A Wing, 4th Floor
Kamala mills compound
Senapathi Bapat Marg,
Lower Parel Mumbai -400 051
Tel.: +91 22 2499 4200

Central Depository Services (India) Limited
Phiroze Jeejeebhoy Towers
17th Floor Dalal Street, Fort
Mumbai 400 023
Tel.: +91 22 2272 3333

Shareholders holding shares in damat/electronic form are requested to approach their Depositary participants for effecting following changes in your holdings in their records.

- Change of postal address
- Change of bank details for receiving dividends
- Incorporation of ECS for receiving dividends electronically
- Change in residential status
- Incorporation of PAN
- Incorporation of Nomination
- Transfer of shares or effecting transposition of names of shareholders.

Further, for any corporate actions like payment of dividends etc., the company will obtain your share-holding details from your DP account through data downloaded from the Depositaries i.e NSDL/CDSL.

Addresses of Stock Exchange/s

Bombay Stock Exchange Limited (BSE)

Phiroze Jeejee Bhai Towers
Dalal Street
Mumbai –400 001.

BSE Code- 505242.

National Stock Exchange of India Limited (NSE)

“Exchange Plaza”
Bandra – Kurla Complex, Bandra East
Mumbai – 400 051.

NSE Code : DYNAMATECH.

We are constantly in the process of enhancing our service levels for further improvement based on the feedback received from shareholders from time to time.

NOTE:

As usual, your Company will be providing transport facility between 12.30 noon and 1.00 p.m. near Unity Buildings, J.C. Road, Bangalore to reach the AGM venue comfortably. After the meeting, shareholders will be dropped back at their pick up location. Those who wish to avail this facility are requested to get confirmation to this effect at the following telephone numbers:

080 28394933/34/35 (Extn: 254) (Contact: Corporate Secretarial team)

You may send your request by email at : cosec@dynamatics.net.

Your requests must reach us latest by 21st August, 2009

CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE

V. Sreedharan & Associates

Company Secretaries

Off : 080 - 2229 0394
Res : 080 - 2659 3314
Fax : 080 - 2211 6252
E-mail : sreedharan@vsnl.com
Cell : 9845214399
G.N.R. Complex, 1st Floor
No. 32/33, 8th Cross, Wilson Garden,
Bangalore - 560 027

CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE

Corporate Identification Number	:	L85110KA1973PLC002308
Nominal Capital	:	Rs. 25 Crores

To,

The Members,
Dynamatic Technologies Limited
Bangalore 560 058

We 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 Bombay Stock Exchange Limited and the National Stock Exchange of India Limited for the financial year ended March 31, 2009. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of certification.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the procedure and implementation thereof. 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 our examination of the records produced, explanations and information furnished, we certify that the company has complied with

a) All the mandatory conditions of the said Clause 49 of the Listing Agreement and
b) Clause(2) of Non-Mandatory requirements relating to Remuneration Committee.

Place : Bangalore
Date : June 09, 2009

For **V Sreedharan & Associates**

V. Sreedharan
Partner
F.C.S -2347 : C.P. No. 833

Your beliefs become your thoughts. Your thoughts become your words. Your words become your actions. Your actions become your habits. Your habits become your values. Your values become your destiny.

- Mahatma Gandhi

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.

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, Chennai, Swindon and Bristol. All 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.

EMISSION CONTROL

Minimization of Carbon Emission by

7667893320 gms

(in comparison to coal power) through the generation of

10362018

units of green energy (from August 2008-June 2009) by Dynamatic® Wind-Farm for captive consumption.

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 civilizational 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, as we globalize, we travel with an open mind, learning from and contributing to every society we are part of.

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.

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
- Secure market leadership, technological competence and brand equity as a global leader.
- Maximization of productivity and maintenance of cost leadership
- Continue to enhance the value of the Company to the shareholders

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

EMPLOYEE **COLLABORATION**

GURU-SHISYA
PARAMPARA

Retired employees of HAL, who would otherwise not have their vast and critical experience utilized after retirement, are employed by Dynamatic® to train its young Aerospace engineer recruits. Apart from the company, the Nation also benefits by this unique GURU-SHISYA collaboration.

CONSUMABLES **RECYCLING**

Dynamatic® recycles paper, cardboard and wood at all its facilities in India & U.K, thereby minimizing utility and conserving resources.

- 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.

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, 2009 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 of the books and records of the Company 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. Without qualifying, we draw attention to Note 37 on Schedule 20 to the financial statements explaining that these accounts have been prepared on a going concern basis although there has been breach of some covenants against certain bank borrowings which are under negotiation for relaxation.

5. 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, 2009, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2009 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, 2009;

      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. : F 50081
For and on behalf of
Price Waterhouse & Co.,
Chartered Accountants

PLACE : BANGALORE
DATE : 30th JUNE, 2009

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, except for certain stocks of raw materials and components and work in progress lying with the third parties at the year end, aggregating to Rs.6,321,116 which, however, have been confirmed by the parties. 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 in respect of inventory other than 'work in progress', which has been determined by the management based on physical verification. The discrepancies between the physical inventory and the book stocks have been properly dealt with in the books but in the absence of determination of the aggregate amount of discrepancies we are unable to comment if such discrepancies are material.

(iii) (a) The Company has granted unsecured loans to three 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 aggregates to Rs.157,033,218 and Rs.122,533,218 respectively.

(b) In respect of two loans to wholly owned subsidiaries, we are unable to comment whether the rate of interest and other terms and conditions of such loans are not prima facie prejudicial to the interests of the Company. In our opinion, the rate of interest and other terms and conditions of the other loan was not prima facie prejudicial to the interests of the Company.

(c) In respect of the loans to wholly owned subsidiaries, the parties are not repaying the principal amounts as stipulated and also not regular in payment of interest, where applicable. In respect of the other loan, the party is repaying the principal amounts as stipulated and also regular in payment of interest.

(d) In respect of the loans to wholly owned subsidiaries, there is an overdue amount of Rs.49,199,296 after taking into consideration that an amount of Rs.16,000,000 was converted during the year into equity shares of the subsidiary. In respect of the other loan, the party is repaying the principal amounts as stipulated and also regular in payment of interest.

(e) 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, sub-clauses (f) and (g) of clause (iii) of the Order are not 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 respect of transactions made in pursuance of contracts or arrangements entered in register maintained under Section 301 of Act and exceeding the value of rupees five lakhs and relating to a party other than wholly owned subsidiaries have been made at prices which are not prima facie prejudicial to the interests of the Company.

(c) In respect of loans given to the wholly owned subsidiaries as stated in clause (iii) (c) above, we are unable to opine whether such transactions 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 thereunder, 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 read with our remarks in clause (ii) (c) above. 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 but there are no dues 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, 2009 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 explanations 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 guarantee given by the Company, for loans taken by others from a financial institution, 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.

(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) 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 during the year.

(xvii) 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.

(xviii) The other clauses of the Order namely clauses (xiii), (xiv), (xix) and (xx) were not applicable to the Company during the year.

S. Dutta
Partner
Membership No. : F 50081
For and on behalf of
Price Waterhouse & Co.,
Chartered Accountants

PLACE : BANGALORE
DATE : 30th JUNE, 2009

BALANCE SHEET AS AT MARCH 31, 2009

	Schedule	2009 Rs.000	2008 Rs.000
SOURCES OF FUNDS			
Shareholders' Funds			
Capital	1	**54,147**	48,107
Reserves and Surplus	2	**1,294,737**	610,994
Loan Funds			
Secured Loans	3	**1,868,284**	1,222,019
Unsecured Loans	4	**182,066**	176,165
Deferred tax liabilities [Schedule 20 Note 22(c)]		**209,775**	148,315
		3,609,009	2,205,600
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	**2,875,390**	2,156,308
Less: Depreciation		**873,454**	703,394
Net Block		**2,001,936**	1,452,914
Capital Work-In-Progress		**301,642**	165,503
		2,303,578	1,618,417
Investments	6	**509,857**	85,388
Current Assets, Loans and Advances			
Inventories	7	**403,457**	339,799
Sundry Debtors	8	**724,314**	631,546
Cash and Bank Balances	9	**72,985**	52,891
Other Current Assets	10	**36,161**	26,968
Loans and Advances	11	**298,182**	206,278
		1,535,099	1,257,482
Less: Current Liabilities and Provisions			
Liabilities	12	**697,609**	708,316
Provisions	13	**41,916**	47,371
		739,525	755,687
Net Current Assets		**795,574**	501,795
		3,609,009	2,205,600
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

Dr. K APRAMEYAN
Director

S GOVINDARAJAN
Director

GOVIND MIRCHANDANI
Director

RAYMOND K LAWTON
Director

B SESHNATH
Executive Director and CMO

N RAJAGOPAL
Executive Director and CTO

V SUNDER
President and Group CFO

UDAYANT MALHOUTRA
CEO and Managing Director

PLACE : BANGALORE
DATE : 30th JUNE, 2009

N RAM MOHAN
Financial Controller

G HARITHA
Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2009

	Schedule		2009 Rs.000		2008 Rs.000
INCOME					
Sales and Services	**14**		**3,314,841**		3,237,772
Less: Excise duty included therein			**378,260**		494,281
Sales (Net)			**2,936,581**		2,743,491
Other Income	**15**		**76,122**		83,840
			3,012,703		2,827,331
EXPENDITURE					
Cost of Materials	**16**		**1,661,952**		1,590,289
Employee Cost	**17**		**379,800**		296,068
Other Operating Expenses	**18**		**531,720**		430,045
			2,573,472		2,316,402
Operating Profit before Depreciation and Interest (EBITDA)			**439,231**		510,929
Depreciation (Schedule 5 Note 7)		**172,462**		121,045	
(Less): Transfer from Revaluation Reserve		**(342)**	**172,120**	(342)	120,703
Interest	**19**		**152,319**		87,992
Profit Before Taxation and Extraordinary/ Exceptional items			**114,792**		302,234
Extraordinary/ Exceptional items:					
Acquisition/ Merger Expenses [Schedule 20 Note 32]			**2,680**		2,602
Profit Before Taxation			**112,112**		299,632
Provision for Taxation (Schedule 20 Note 22)					
- Income Tax					
- Current			**5,645**		68,635
- MAT Credit Entitlement			**(12,145)**		-
- Deferred Tax [Debit/ (Credit)]			**64,688**		40,331
- Fringe Benefit Tax			**4,925**		4,688
- Wealth Tax			**297**		211
Profit After Taxation			**48,702**		185,767
Profit brought forward from previous year			**264,146**		-
Profit After Taxation Available for Appropriation			**312,848**		185,767
Appropriations					
Dividend:					
- Interim			**13,537**		10,484
- Proposed			**8,122**		24,053
- Tax thereon			**3,681**		5,189
Transferred to General Reserve			**4,870**		18,577
			282,638		127,464
Add: Profit and Loss Account balance acquired on Merger			**-**		136,682
Profit carried to Balance Sheet			**282,638**		264,146
Earnings per Share - Basic and Diluted (Schedule 20 Note 21)					
- Before Extraordinary/ Exceptional Items			**9.88**		44.81
- After Extraordinary/ Exceptional Items			**9.37**		44.19
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

Dr. K APRAMEYAN
Director

S GOVINDARAJAN
Director

GOVIND MIRCHANDANI
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PLACE : BANGALORE
DATE : 30th JUNE, 2009

N RAM MOHAN
Financial Controller

G HARITHA
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2009

		2009 Rs.000	2008 Rs.000
A.	**Cash Flow from Operating Activities:**		
	Profit before Taxation and before Extraordinary/ Exceptional items	**114,792**	302,234
	Adjustments for:		
	Depreciation	**172,120**	120,703
	Interest Expense	**152,319**	87,992
	Interest Income	**(13,708)**	(6,940)
	(Profit)/Loss on Fixed Assets sold	**279**	1,173
	Miscellaneous Expenditure written off	-	42
	Debts / Advances Written off	**22**	837
	Provision for bad and doubtful Debts/ advances	**2,999**	5,034
	Liability no longer required written back	**(554)**	(631)
	Provision for Gratuity and Leave Encashment	**8,828**	1,425
	Unrealised foreign exchange (gain) /loss	**22,955**	(4,872)
	Warranty provision written back	**(52)**	4,320
	Operating Profit before Working Capital Changes	**460,000**	511,317
	Adjustments for Changes in Working Capital :		
	- (INCREASE)/DECREASE in Sundry Debtors	**(95,767)**	(16,593)
	- (INCREASE)/DECREASE in Other Receivables	**(76,099)**	(42,399)
	- (INCREASE)/DECREASE in Inventories	**(63,658)**	(41,547)
	- INCREASE/(DECREASE) in Trade and Other Payables	**(87,483)**	(66,890)
	Adjustment for Unrealised Foreign Exchange Gain/(Loss)	**(22,955)**	(3,168)
	Cash Generated From Operations	**114,038**	340,720
	- Direct Tax paid	**(25,206)**	(74,655)
	- Fringe Benefit Tax paid	**(7,325)**	(4,410)
	Net cash from operating activities before Extraordinary/ Exceptional items	**81,507**	261,655
	- Extraordinary/ Exceptional items	**(2,680)**	(2,602)
	Net cash from operating activities after Extraordinary/ Exceptional items	**78,827**	259,053
B.	**Cash Flow from Investing Activities:**		
	Purchase of Fixed Assets [Net of adjustment on account of AS 11 amendment (Schedule 20 Note 28)]	**(477,463)**	(400,832)
	Proceeds from Sale of Fixed Assets	**3,918**	3,482
	Proceeds from Sale of Investments	-	15
	Purchase of Investments	**(408,469)**	(65,258)
	Loans/ICDs given	**(4,898)**	(98,494)
	Interest Received (Revenue)	**8,018**	2,588
	Dividend Received	-	14,600
	Acquisition of Wind farm (Schedule 20 Note 31)`	**(320,813)**	-
	Adjustment for Unrealised Foreign Exchange Gain/(Loss)	-	354
	Net cash used in investing activities	**(1,199,707)**	(543,545)

	2009 Rs.000	2008 Rs.000
C. Cash Flow from Financing Activities:		
Proceeds from Long Term Borrowings [Net of adjustment on account of AS 11 amendment (Schedule 20 Note 28)]	**870,631**	276,212
Proceeds from Issue of Shares [Net of related share issue expenses Rs. 8,759 (2008:Rs.Nil)]	**736,577**	-
Repayment of Long Term Borrowings	**(212,380)**	(149,393)
Repayment of Inter Corporate Deposits (Net)	**(5,000)**	(5,000)
Repayment of Loan from Directors (Net)	-	(800)
Repayment of public deposits (Net)	**(592)**	(177)
Proceeds from Cash Credits/ Working Capital Loans (Net)	**(86,392)**	247,230
Proceeds from Buyer's Credit (Net)	**11,477**	80,787
Interest Paid	**(145,960)**	(85,285)
Dividend Paid	**(23,980)**	(51,452)
Dividend Tax Paid	**(3,407)**	(8,743)
Adjustment for Unrealised Foreign Exchange Gain/(Loss)	-	7,686
Net cash used in Financing Activities	**1,140,974**	311,065
Net Increase/(Decrease) in Cash and Cash Equivalents	**20,094**	26,573
Cash and cash equivalents as at 31.03.2008	**52,891**	16,908
Cash and cash equivalents acquired on merger (Schedule 20 Note 33)	-	9,410
Cash and cash equivalents as at 31.03.2009	**72,985**	52,891
	20,094	26,573

Notes :

1 The above Cash Flow Statement has been compiled from and is based on the Balance Sheet as at March 31, 2009 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 as notified under Section 211(3C) of the Companies Act, 1956.

3 (i) Current year figures are after giving effect to the acquisition and operations of the Windfarm Division and accordingly the current year figures are not comparable with those of the previous year.

(ii) Previous year's figures have been regrouped wherever necessary in order to conform 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
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President and Group CFO

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CEO and Managing Director

PLACE : BANGALORE
DATE : 30th JUNE, 2009

N RAM MOHAN
Financial Controller

G HARITHA
Company Secretary

		2009 Rs.000		2008 Rs.000
1. Capital				
Authorised:				
20,000,000 (2008: 20,000,000) Equity Shares of Rs.10 each		**200,000**		200,000
500,000 (2008: 500,000) Redeemable Cumulative Preference shares of Rs.100 each		**50,000**		50,000
		250,000		250,000
Issued, Subscribed and Paid-up:				
5,414,703 (2008: 4,810,703) Equity Shares of Rs.10 each fully paid up (Schedule 20 Note 36)		**54,147**		48,107
		54,147		48,107

Notes:
Of the above shares,
(i) 1,048,390 (2008:1,048,390) shares allotted by way of bonus shares by capitalisation of securities premium and capital redemption reserve.
(ii) 617,143 (2008: 617,143) shares allotted as fully paid up pursuant to the Merger with JKM Daerim Automotive Limited without payments being received in cash.

		2009 Rs.000		2008 Rs.000
2. Reserves and Surplus				
Securities Premium Account (Schedule 20 Note 36)				
As per last Balance Sheet	**600**		600	
Add : Received during the year	**739,296**		-	
(Less) : Utilisation of during the year	**(8,759)**	**731,137**	-	600
Capital Reserve (Note Below)		**1,500**		1,500
Capital Redemption Reserve		**24,000**		24,000
Reserve on Amalgamation		**15,429**		15,429
Revaluation Reserve:				
As per last Balance Sheet	**17,423**		17,765	
(Less):				
- Additional depreciation charge on revalued fixed assets [Schedule 20 Note 1(d)(i)]	**(342)**	**17,081**	(342)	17,423
Hedge Reserve Account (Debit Balance) [Schedule 20 Note (34) (b)]		**(63,544)**		-
General Reserve:				
As per last Balance Sheet	**287,896**		252,175	
Add / (Less) :				
- Transferred on merger	-		17,144	
- Adjustment on account of adoption of amendment to Accounting Standard 11 [net of deferred tax credit thereon Rs.3,228 (Schedule 20 Note 22 and 28)]	**(6,270)**		-	
- Transferred from Profit and Loss Account	**4,870**		18,577	
		286,496		287,896
Profit and Loss Account balance		**282,638**		264,146
		1,294,737		610,994

Note:
Backward Area Subsidy received during 2004-05

		2009 Rs.000	2008 Rs.000
3.	**Secured Loans** (Schedule 20 Note 30)		
	From Banks		
	Term Loan:		
	- In Rupees [Repayable within one year Rs. 117,827 (2008: Rs. 94,979)]	**649,659**	300,871
	- In Foreign Currency [Repayable within one year Rs. 112,129 (2008: Rs. 48,704)]	**757,478**	356,782
	Cash Credit and Working Capital Loan	**445,442**	531,834
	From Financial Institutions		
	Term Loan - In Rupees [Repayable within one year Rs. 2,110 (2008: Rs. 4,220)]	**2,110**	16,955
	Vehicle Loans - In Rupees [Repayable within one year Rs. 6,828 (2008: Rs. 7,872)]	**10,556**	13,937
	Interest Accrued and Due	**3,039**	1,640
		1,868,284	1,222,019
4.	**Unsecured Loans**		
	Public Deposits - In Rupees [Repayable within one year Rs.11,111 (2008: Rs.13,548)]	**17,176**	17,768
	Buyer's Credit from Banks (In foreign currency) (Schedule 20 Note 38) [Repayable within one year Rs.120,053 (2008: Rs.Nil)]	**120,053**	108,576
	Short Term Loans:		
	- Inter Corporate Deposits - In Rupees	**50**	5,050
	Interest Free Sales Tax Loan - In Rupees (Schedule 20 Note 25) [Repayable within one year Rs.Nil (2008: Rs. Nil)]	**44,408**	44,373
	Interest Accrued and Due	**379**	398
		182,066	176,165

5. Fixed Assets

[Schedule 20 Note 1(d), (j), (o) and (p)]

Rs.000

	GROSS BLOCK- AT COST OR REVALUATION					DEPRECIATION				NET BLOCK	
	2008	Assets acquired (Note 8 below)	Other Additions / Adjustments	Deletions	2009	2008	Other Additions / Adjustments (Note 3 and7)	Deletions	2009	2009	2008
Tangible Assets											
Land and Development (Notes 1 and 5)	29,475	171,515	-	-	200,990	-	-	-	-	200,990	29,475
Buildings (Note 1)	336,118	7,630	55,849	-	399,597	34,911	12,721	-	47,632	351,965	301,207
Plant and Machinery (Note 2, 4 and 6)	1,475,501	141,506	286,293	3,542	1,899,758	548,942	124,318	2,481	670,779	1,228,979	926,559
Measuring Instruments	17,733	22	3,356	-	21,111	9,589	737	-	10,326	10,785	8,144
Electrical Installations (Note 1)	58,202	-	9,648	-	67,850	10,673	2,827	-	13,500	54,350	47,529
Data Processing Equipments	56,086	23	9,922	-	66,031	37,715	7,037	-	44,752	21,279	18,371
Office Equipments	22,302	26	(2,038)	54	20,236	8,235	5,717	978	12,974	7,262	14,067
Furniture And Fixtures	24,975	66	1,054	-	26,095	9,604	3,088	-	12,692	13,403	15,371
Tools, Dies And Moulds	62,463	-	6,251	-	68,714	17,609	7,292	-	24,901	43,813	44,854
Vehicles	49,212	25	9,918	6,237	52,918	10,928	5,178	2,177	13,929	38,989	38,284
Intangible Assets											
Application Software	24,241	-	8,384	-	32,625	15,188	4,835	-	20,023	12,602	9,053
Prototype/ Product development	-	-	19,465	-	19,465	-	1,946	-	1,946	17,519	-
	2,156,308	**320,813**	**408,102**	**9,833**	**2,875,390**	**703,394**	**175,696**	**5,636**	**873,454**	**2,001,936**	**1,452,914**
2008	699,897	784,573	682,730	10,892	2,156,308	319,860	121,045	6,242	703,394		
Capital Work-In-Progress (CWIP) [Including Capital Advances Rs. 20,931 (2008:Rs.14,355)] (Note 4)										276,347	128,767
Capital Work-In-Progress - Intangible Assets (Note 7)										25,295	36,736
										2,303,578	1,618,417

Notes:

1. Net Block of Land and Development, Buildings and Electrical Installations includes value added on revaluation Rs. 17,180 (2008: Rs. 17,522) (Schedule 20 Note 26)
2. Includes Machinery leased to third parties Rs. 21,333 (2008: Rs.21,333) [Schedule 20 Note 20 (b)]
3. Depreciation for the year on revalued amount comprise the following:-

	2009	2008
Buildings	313	313
Electrical Installations	29	29
	342	**342**

4. Plant and Machinery and Capital Work-in-Progress includes borrowing costs capitalised during the year Rs. 9,741 (2008: Rs.14,599) [Schedule 20 Note 1 (j)]
5. Land and Development includes Leasehold Land Rs. 11,134 (2008: Rs.11,134)
6. Book Value of Plant and Machinery is net of subsidy received from the Tamil Nadu Industrial Investment Corporation Limited Rs. 1,877 (2008: Rs.1,877)
7. Depreciation for the year is reflected as follows:

	2009	2008
Depreciation as per Profit & Loss Account	172,120	120,703
Transfer from Revaluation Reserve	342	342
Depreciation considered under intangible assets (including CWIP thereof)	3,234	-
	175,696	**121,045**

8. Assets acquired during the year is on account of purchase of the Wind farm division (Refer Schedule 20 Note 31) while that during the previous year is on account of merger of JKM Daerim Automotive Limited with the Company (Schedule 20 Note 33)
9. Fixed Assets used for Research and Development Activities :

	Gross Block	
Particulars	**2009**	**2008**
Building	103,101	92,615
Plant and Machinery	76,296	76,099
Measuring Instruments	6,238	3,261
Electrical Installations	12,514	11,764
Data Processing Equipments	35,555	35,555
Office Equipments	2,866	4,105
Furniture And Fixtures	7,482	7,482
	244,052	230,881

		2009 Rs.000	2008 Rs.000
6.	**Investments**		
	[Schedule 20 Note 1(h)]		
	Long term-Other than Trade- Unquoted		
	Fully Paid up Shares at Cost:		
	Investments in Subsidiaries:		
	3,599,930 (2008: 1,999,930) Equity Shares of Rs.10 each of JKM Research Farm Limited (Note 1 below)	**35,999**	19,999
	14,571,451 (2008: 2,432,765) Equity Shares of Singapore $ 1 each of JKM Global Pte Limited, Singapore (Notes 2 and 3 below)	**473,858**	65,389
	Investment in other Companies:		
	921,530 (2008: 921,530) Equity Shares of Rs.10 each of Murablack (India) Ltd.	**9,215**	9,215
		519,072	94,603
	Less: Provision for Diminution in Value of Investments	**9,215**	9,215
		509,857	85,388

Notes:
1. Excluding 70 shares held by nominees of the Company
2. Shares pledged with State Bank of India, London and Punjab National Bank (International) Limited for the loan facilities availed by JKM Global Pte Limited, a Subsidiary and DM 38 Limited, an ultimate subsidiary
3. Includes 785,607 shares allotted but pending issue of share certificates in favour of the Company.

		2009 Rs.000	2008 Rs.000
7.	**Inventories**		
	[Schedule 20 Note 1(b)]		
	Stores and Spares	**48,406**	45,916
	Raw Materials including Components [Note (a)]	**148,661**	133,719
	Work-in-Progress [Notes (b)]	**120,479**	79,239
	Finished Goods	**85,911**	80,925
		403,457	339,799

Notes:
a) Includes in transit Rs.Nil (2008: Rs.8,370) and lying with third parties Rs.28,408 (2008: Rs.30,728)
b) Includes lying with Third parties Rs.5,095 (2008: Rs.4,183) and In transit Rs.1,325 (2008: Rs.1,593)

		2009 Rs.000	2008 Rs.000
8.	**Sundry Debtors** (Unsecured)		
	Exceeding Six months		
	Considered Good	**102,534**	43,730
	Considered Doubtful	**15,453**	12,454
	Other Debts		
	Considered Good (Note)	**621,780**	587,816
		739,767	644,000
	Less: Provision for Doubtful Debts	**15,453**	12,454
		724,314	631,546

Note: Includes due from Subsidiaries Rs.3,579 (2008: Rs.937)

		2009 Rs.000	2008 Rs.000
9	**Cash and Bank Balances**		
	Cash on hand	**605**	655
	Balance with Scheduled Banks:		
	Fixed Deposits held under Rule 3A of Companies (Acceptance of Deposits) Rules,1975	**2,313**	2,000
	Current Accounts	**53,590**	38,258
	Unpaid Dividend Accounts	**1,550**	1,478
	Margin Money Accounts (Note below)	**14,927**	10,500
		72,985	52,891

Note: Under lien against Bank Guarantees.

		2009 Rs.000	2008 Rs.000
10.	**Other Current Assets** (Unsecured, Considered Good)		
	Balance with Excise Authority	**187**	1,178
	Other Deposits	**24,788**	20,294
	Interest Accrued (Note)	**11,186**	5,496
		36,161	26,968
	Note: Includes due from subsidiary Rs.11,139 (2008: Rs.2,725)		
11.	**Loans and Advances**		
	(Unsecured, Considered Good except as otherwise stated)		
	Inter-Corporate Loans (Schedule 20 Note 9)	**122,533**	133,635
	Loans to Employees	**1,930**	1,576
	Prepaid Expenses	**9,888**	5,274
	MAT credit entitlement [Schedule 20 Note 22(b)]	**12,145**	-
	Current Taxation (Net)	**16,165**	-
	Fringe Benefit Tax (Net)	**2,122**	-
	Forward Contract Receivable [Schedule 20 Note (34) (c)]	**8,110**	-
	Advances recoverable in cash or in kind or for value to be received (Note)	**126,242**	66,746
	[Including Rs.953 (2008: Rs.953) considered doubtful]		
		299,135	207,231
	Less: Provision for Doubtful Advances	**953**	953
		298,182	206,278
	Note: Includes due from subsidiaries Rs. 10,580 (2008: Rs. 5,824)		
12.	**Current Liabilities**		
	Acceptances	**342,064**	293,604
	Sundry Creditors:		
	Micro, Small and Medium Enterprises (Schedule 20 Note 16)	**313**	-
	Others (Note)	**253,044**	387,873
	Advance from Customers	**5,082**	2,731
	Forward Contract Liability [Schedule 20 Note (34)(b)]	**73,384**	-
	Unclaimed Dividend	**1,550**	1,478
	Other Liabilities (Schedule 20 Note 24)	**14,151**	19,588
	Interest Accrued but not due	**8,021**	3,042
		697,609	708,316
	Note: Includes due to subsidiaries Rs.Nil (2008: Rs.1,119)		
13.	**Provisions**		
	Gratuity	**4,309**	6,812
	Leave Encashment	**9,612**	6,785
	Product Warranty (Schedule 20 Note 23)	**2,373**	2,655
	Current Taxation (Net)	**-**	3,170
	Fringe Benefit Tax (Net)	**-**	278
	Wealth Tax	**282**	211
	Interim Dividend [Including taxes thereon Rs. 2,301 (2008: Rs.Nil)]	**15,838**	-
	Proposed Final Dividend [Including taxes thereon Rs.1,380 (2008: Rs.3,407)]	**9,502**	27,460
		41,916	47,371
14.	**Sales and Services** [Schedule 20 Note 1(c)]		
	Sales:		
	- Manufactured Goods	**3,215,710**	3,178,433
	- Traded Goods	**20,823**	36,244
	Services:		
	- Sub Contract Charges	**71,834**	15,853
	- Service Charges	**5,339**	5,767
	- Handling Charges	**1,135**	1,475
		3,314,841	3,237,772

			2009 Rs.000		2008 Rs.000
15.	**Other Income**				
	Interest				
	- Banks (Gross) [Tax deducted at source Rs.550 (2008: Rs.102)]		**3,406**		1,260
	- Others (Gross) [Tax deducted at source Rs.1,444 (2008: Rs.1,128)]		**10,302**		5,680
	Lease rent [Schedule 20 Note 20(b)]		**683**		819
	Sale of Scrap [Net of excise duty Rs.6,839 (2008: Rs.6,842)]		**50,836**		58,231
	Liabilities no longer required written back		**554**		631
	Warranty provision written back (Net) (Schedule 20 Note 23)		**52**		-
	Exchange Gain (Net)		-		16,302
	Miscellaneous Income [Schedule 20 Note 31(iii)]		**10,289**		917
			76,122		83,840
16.	**Cost of Materials** (Note Below)				
	Raw Materials and Components consumed		**1,696,576**		1,647,540
	Purchase of Traded Items		**16,277**		5,223
			1,712,853		1,652,763
	Movement in Stocks:				
	Opening Stock				
	- Work-in-Progress	**79,239**		40,846	
	- Finished Goods	**80,925**		35,333	
	Opening Stock acquired on Merger				
	- Work-in-Progress	-		3,524	
	- Finished Goods	-		12,844	
		160,164		92,547	
	Closing Stock:				
	- Work-in-Progress	**120,479**		79,239	
	- Finished Goods	**85,911**		80,925	
		206,390		160,164	
	(Increase)/ Decrease		**(46,226)**		(67,617)
	Excise Duty on Opening Stock of Finished Goods	**14,784**		8,347	
	Excise Duty on Opening Stock of Finished Goods acquired on Merger	-		1,294	
	Excise Duty on Closing Stock of Finished Goods	**10,109**		14,784	
	Increase/ (Decrease)		**(4,675)**		5,143
			1,661,952		1,590,289
	Note: Includes value of stock written down Rs.3,263 (2008: Rs.3,671) and is after adjustment of shortages/excess, defectives, etc.				
17.	**Employee Cost**				
	Salaries, Wages, Bonus, etc (Note 1 below)		**310,036**		238,615
	Contribution to Provident and Other Funds (Note 2 below)		**23,565**		25,073
	Staff Welfare Expenses		**46,199**		32,380
			379,800		296,068

Notes:

1. Including Provision for Leave Encashment Rs.3,117 (2008: Rs.496 written back)
2. Including Provision for Gratuity Rs.5,711 (2008: Rs.9,204)

		2009 Rs.000	2008 Rs.000
18	**Other Operating Expenses**		
	Rent [Schedule 20 Note 20(a)]	**13,713**	10,884
	Rates and Taxes	**5,409**	4,190
	Power, Fuel and Utilities (Net) (Refer Schedule 20 Note 31(iii)]	**100,958**	79,833
	Stores and Spares [Includes write down Rs.Nil (2008: Rs.118)]	**123,020**	122,470
	Insurance	**6,800**	6,234
	Repairs and Maintenance		
	- Plant and Machinery	**15,644**	22,938
	- Buildings	**1,666**	1,796
	- Others	**30,542**	28,428
	Carriage Outward	**29,453**	23,736
	Travelling and Conveyance	**45,538**	41,544
	Security Charges	**5,175**	3,884
	Printing and Stationery	**5,052**	5,207
	Communication	**9,119**	8,963
	Professional and Consultancy Charges (Schedule 20 Note 11)	**25,709**	19,390
	Exchange Loss (Net)	**57,034**	-
	Product Warranty (Schedule 20 Note 23)	**-**	4,320
	Technical Assistance Charges	**1,664**	1,019
	Advertisement and Sales Promotion	**5,170**	4,124
	Packing Expenses (Net)	**1,139**	172
	Discount on Sales	**8,617**	3,104
	Bank Charges	**22,044**	15,150
	Donations	**5**	507
	Directors Sitting Fees	**795**	1,420
	Loss on Sale/ Scrapping of Fixed Assets	**279**	1,173
	Bad Debts/ Advances written off	**22**	837
	Provision for Bad and Doubtful Debts/ Advances	**2,999**	5,034
	Miscellaneous Expenditure Written Off	-	42
	Miscellaneous Expenses	**14,154**	13,646
		531,720	430,045

19	**Interest**		
	On Fixed Loans	**78,953**	39,617
	On Others	**73,366**	48,375
		152,319	87,992

Rs.000

20. NOTES ON 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 [except for certain financial instruments which are measured at fair values (Note 34 below)], in accordance with Generally Accepted Accounting Principles (GAAP) for the preparation of its accounts and complies with the applicable Accounting Standards notified under Section 211(3C) of the Companies Act, 1956, of India (the Act) and the relevant provisions of the Act.

b. *Inventories:*

Inventories are valued at lower of cost and market price/ net realisable value. Cost is generally determined under First-In-First-Out method.

Consumable Stores and Spares are treated as consumed on issue to production.

c. *Revenue Recognition and Product Warranty:*

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

Revenue from services is recognised as the services are provided.

Product warranties ranging for a period from 1 to 2 years against manufacturing and other defects, as per terms of contracts with the customers, are provided for based on estimates made by the management (Note 23 below).

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

d. (i) *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.

Certain Land, Building, Plant and Machineries and Electrical Installations are stated at valuations made by a professional valuer in 1991-92 at the then current value. (Note 26 below).

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

Depreciation is provided on a straight line method at rates prescribed in Schedule XIV to the Companies Act, 1956, except for the following, which is based on management's estimate of useful lives of the assets concerned. (Note 29 below).

Particulars of Fixed Assets	**Rate of depreciation**
Data Processing Equipments	25%
Furniture and Fixtures	10%
Office Equipments	
Mobile Phones	50%
Others	20%

Depreciation on revalued items of Fixed Assets is calculated on their respective revalued amounts at rates considered applicable by the valuers on straight line method as against the methods/rates/bases which would have otherwise been adopted for the purpose of the annual accounts of the Company and accordingly includes additional depreciation charge. An amount equivalent to the aforesaid additional depreciation charge is transferred to the credit of the Profit and Loss Account from Revaluation Reserve. (Note 26 below).

(ii) *Intangibles*

An intangible asset is recognised only if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably.

Amortisation is provided on a pro-rata basis on straight-line method over the estimated useful lives of the assets, not exceeding ten years as detailed below:

Particulars of Intangible Assets	**Rate of amortisation**
Application Software	25%
Prototype/ Product development	12.5%-10%

e. *Foreign Currency Transactions:*

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

Liabilities/ assets in foreign currencies are reckoned in the accounts as per the following principles: All monetary assets and liabilities denominated in foreign currency are restated at the rates ruling at the year end and the exchange gains/losses arising there from are adjusted to the Profit and Loss Account, except in case of exchange differences relating to long-term monetary items which are dealt with in the following manner:

(i) In so far as they relate to the acquisition of a depreciable capital asset are added to/ deducted from the cost of the asset and depreciated over the balance life of the asset. (Also refer Note 28 below)

(ii) In other cases, such exchange differences are accumulated in a "Foreign Currency Monetary Item Translation Difference Account" and amortised over the balance term of the long-term monetary items but not beyond March 31, 2011

f. *Derivatives:*

In accordance with its Risk management policies and procedures, the company uses derivative instruments such as foreign currency forward contracts and currency options to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and highly probable forecasted transactions.

Effective April 1, 2008, the Company has applied the principles of AS 30 ' Financial Instruments: Recognition and Measurement", to the extent that the application of the principles did not conflict with existing accounting standards and other authoritative pronouncements of the Company Law and other regulatory requirements. The derivatives that qualify for hedge accounting and designated as cash flow hedges are initially measured at fair value and are re-measured at a subsequent reporting date and the changes in the fair value of the derivatives i.e. gain or loss is recognized directly in shareholders' funds under hedging reserve to the extent considered highly effective. Gain or loss upon fair value on derivative instruments that either do not qualify for hedge accounting or are not designated as cash flow hedges or designated as cash flow hedges to the extent considered ineffective are recognized in the Profit and Loss Account.

To designate a forward or option contracts as an effective hedge, the management objectively evaluates and evidences with appropriate supporting documents at the inception of each contract whether the contract is effective in achieving offsetting cash flows attributable to the hedged risk.

Hedge accounting is discontinued when the hedging instrument expires, sold, terminated, or exercised, or no longer qualifies for hedge accounting. The cumulative gain or loss on the hedging instrument recognized in shareholder's funds under hedging reserve is retained there until the forecasted transaction occurs subsequent to which the same is adjusted against the related transaction in profit and loss account.

If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in shareholder's fund is transferred to Profit and Loss Account in the same period.

g. 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.

h. Investments:

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

i. Employee Benefits (Note 17 below):

i) Defined Contribution Plan

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

ii) Defined Benefit Scheme

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

iii) Other Long Term Employee Benefits

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

iv) Short Term Employee Benefits

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

j. Interest on Borrowings:

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

k. Segment Reporting:

Identification of segments:

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

Inter-Segment Transfers

The Company accounts for Inter-Segment sales and transfers as if the sales or transfers were to third parties at current market prices, which are eventually eliminated.

Allocation of common costs

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

Unallocated items

Includes general corporate expense items which are not allocable to any business segment.

l. Leases:

Assets acquired under leases, where the Company has substantially all the risks and rewards of ownership, are treated 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/ given 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 accounted in the Profit and Loss Account on accrual/ straight line basis (Note 20 below).

m. Earnings per Share:

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

Rs.000

n. ***Taxation:***

Current tax 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 realised except for unabsorbed depreciation and carry forward of losses under tax laws where deferred tax assets are recognised 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 realised.

o. ***Research and Development (R&D): (Note 15 below)***

Tangible fixed assets acquired for R&D activities are capitalised under respective category of fixed assets and depreciated as explained in Note (d)(i) above.

Intangible assets relating to R&D activities are capitalised and amortised as explained in Note (d)(ii) above.

The revenue expenses incurred on R&D (except for those qualifying for recognition as Intangible assets) are expensed off in Profit and Loss Account.

p. ***Impairment of Assets:***

At each Balance Sheet date, in respect of tangible and intangible assets in use, 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 and if this is lower than the carrying amount of the asset, an impairment loss is recognised in the Profit and Loss Account to the extent the carrying amount exceeds recoverable amount (Note 35 below).

However, the following assets are reviewed for impairment at each Balance Sheet date

(i) Intangible assets under capital work-in-Progress

(ii) Intangible assets whose life is estimated to exceed ten years

q. ***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, only when the same is virtually certain.

		2009	2008
2.	**Capital Commitment:**		
	Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided	65,286	119,889
3.	**Contingent Liabilities:**		
	Corporate Guarantee given on behalf of Wholly Owned Subsidiaries/Ultimate Subsidiaries:		
	JKM Global PTE Limited	167,376	132,000
	Dynamatic Limited, UK	284,032	224,000
	DM -38 Limited, UK	362,450	-
	Income tax matters under dispute	1,519	1,519

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.	400,000 (400,000)	345,457 (363,560)	29,830 (29,767)	- (-)	23,950 (25,705)
Foundry Division [Note (iii) below]	MT/Nos	4,380 MT (4,380) MT	- (-)	- (-)	1,061,923 (772,773)	- (-)
Automotive Components [Note (iv) below]	Nos.	10,223,120 (10,223,120)	- (-)	- (-)	- (-)	8,718,607 (6,798,582)
			345,457 (363,560)	**29,830 (29,767)**	**1,061,923 (772,773)**	**8,742,557 (6,824,287)**

Note:

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

(ii) The Company is exempt from the licensing provisions of the Industries (Development Regulation) Act, 1951.

(iii) Production of the Foundry Division includes 1,022,120 Nos (2008: 768,370 Nos) transferred to Automotive and Hydraulics Division.

(iv) Excludes production of 8,235,916 Nos. (2008: 7,112,057 Nos) processed from third party processors.

(v) Figures in brackets relate to previous year.

Rs.000

5. Particulars of Opening and Closing Stock and Turnover:

Class of Goods	Opening Stock Quantity (Nos.)	Opening Stock Value	Turnover Quantity (Nos.)	Turnover Value	Closing Stock Quantity (Nos.)	Closing Stock Value
a. Manufactured						
Hydraulic Gear Pump	16,550	36,770	344,254	755,785	17,753	38,010
	(14,498)	(33,873)	(361,508)	(770,141)	(16,550)	(36,770)
Valves	55	115	29,885	113,754	-	-
	(401)	(561)	(30,113)	(96,626)	(55)	(115)
Special Products	6,717	12,946	25,046	139,908	5,621	13,307
	(700)	(2,395)	(19,688)	(126,033)	(6,717)	(12,946)
Castings	385	126	3,360	3,301	-	-
	(2,212)	(841)	(6,230)	(3,779)	(385)	(126)
Case Front	7,734	4,711	476,047	223,340	14,958	8,430
	(-)	(-)	(469,429)	(226,420)	(7,734)	(4,711)
Water pump	1,905	819	424,374	195,720	6,045	3,577
	(-)	(-)	(409,562)	(198,144)	(1,905)	(819)
Intake manifold	763	987	296,998	467,159	3,435	4,558
	(-)	(-)	(316,679)	(514,756)	(763)	(987)
Rocker cover	17,221	8,431	283,968	157,312	3,314	1,507
	(-)	(-)	(307,888)	(172,233)	(17,221)	(8,431)
Exhaust-manifold	19,080	12,488	449,986	448,826	8,677	5,351
	(-)	(-)	(287,055)	(375,605)	(19,080)	(12,488)
Rocker arm. - A & B	22,957	1,654	2,560,933	238,705	22,917	1,722
	(-)	(-)	(2,610,006)	(247,730)	(22,957)	(1,654)
Others		1,878		471,900		9,449
[Note (ii) below]		(57)		(446,966)		(1,878)
		80,925		3,215,710		85,911
		(37,727)		(3,178,433)		(80,925)
b. Traded						
Seal Kits	-	-	26,404	3,010	-	-
	(-)	(-)	(31,942)	(3,125)	(-)	(-)
Tools	-	-	11,860	17,813	-	-
	(-)	(-)	(20)	(33,119)	(-)	(-)
		-		20,823		-
		(-)		(36,244)		(-)

Notes:

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

ii) The individual values of these are less than 10% of turnover.

iii) Figures in brackets relate to previous year.

6. Particulars of Purchase of Traded Items:

	Quantity (Nos.)	Value
Seal Kits	**26,404**	**667**
	(31,942)	**(769)**
Tools	**11,860**	**15,610**
	(20)	**(4,454)**
		16,277
		(5,223)

Note: Figures in the brackets relate to previous year.

Rs.000

7. Analysis of Raw Materials and Components Consumed:

			2009 Rs.000		2008 Rs.000
Particulars	**Unit**	**Quantity**	**Value**	**Quantity**	**Value**
Aluminum Extrusions	MT	432	75,550	496	83,539
Castings	Nos	11,307,614	498,429	9,885,323	403,638
Steel for Forgings	MT	466	41,655	507	46,910
Components	Nos	14,035,376	290,401	14,621,913	298,197
Aluminum Alloy	MT	2,758	374,644	2,350	309,363
Others	Nos	-	415,897	-	505,893
			1,696,576		**1,647,540**

	Value	%	Value	%
Whereof:	**Value**	**%**	**Value**	**%**
Imported	612,439	36%	466,322	28%
Indigenous	1,084,137	64%	1,181,218	72%
	1,696,576	**100%**	**1,647,540**	**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:

	2009		2008	
	Value	**%**	**Value**	**%**
Imported	1,564	1%	2,830	2%
Indigenous	121,456	99%	119,640	98%
	123,020	**100%**	**122,470**	**100%**

9. Inter- Corporate Loans Include:

	2009	2008
(a) Loans to subsidiaries		
- Interest free	-	16,000
- Others	**122,533**	96,635
(b) Loan to a Company in which one of the Directors is also a Director of that Company	-	18,500
(c) Others	-	2,500
	122,533	**133,635**

10. Directors' Remuneration*:

Salaries, Wages and Bonus etc.	7,507	6,476
Contributions to Provident and Other Funds	600	507
Perquisites (including those calculated as per Income-tax Rules, 1962)	1,125	624
	9,232	**7,607**

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

11. Auditors' Remuneration*:
(included in Professional and Consultancy Charges in Schedule - 18)

- Audit Fees [Including Rs.800 for earlier year (2008: Rs.Nil)]	5,200	4,350
- Others	2,500	275
- Reimbursement of out of pocket expenses	129	1
	7,829	**4,626**

*Excluding Service Tax

12. Value of Imports on CIF Basis:

Raw Materials including Components	424,687	424,273
Stores and Spares	1,480	1,279
Capital Goods	116,165	101,616
	542,332	**527,168**

		2009	Rs.000 2008
13.	**Expenditure in Foreign Currency:**		
	Technical Assistance Charges	1,664	1,019
	Others		
	- Travel	5,165	5,685
	- Subscription	335	102
	- Interest	26,095	15,202
	- Legal and Professional	377	-
		33,636	**22,008**

14.	**Earnings in Foreign Currency:**		
	FOB Value of Exports	272,279	246,240
	Others *	8,013	3,240
		280,292	**249,480**

* excludes expenses reimbursed Rs.29,110.

15. 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 the Profit and Loss Account.

	2009	2008
Income:		
Income from Services	5,235	5,415
Expenditures:		
Materials Consumed	852	146
Employee Cost	6,010	2,910
Interest	540	540
Other Operating Expenses	7,854	8,290
Depreciation	10,808	8,380

16. Disclosure of dues/ payments to micro and small enterprises to the extent such enterprises are identified by the Company.

		2009	2008
(i)	(a) The principal amount remaining unpaid as at March 31, 2009	313	-
	(b) Interest due thereon remaining unpaid on March 31, 2009	4	-
(ii)	The amount of interest paid by the Company in terms of Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day during each accounting year.		
	(a) Delayed payments of principal beyond the appointed date during the entire accounting year (but within agreed credit period)	1,923	-
	(b) Interest actually paid under Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006	-	-
(iii)	The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006.	56	-
(iv)	The amount of interest accrued and remaining unpaid on March 31, 2009 in respect of principal amount settled during the year.	60	-
(v)	The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under Section 23 of the Micro, Small and Medium Enterprises Development Act, 2006.	-	-

Note: The above information has been determined based on vendors identified by the Company and to the extent these have been confirmed by such vendors, which has been relied upon by the auditors.

17. Employee Benefits

Gratuity:

The Company provides for gratuity, a defined benefit plan (the Gratuity Plan), to its employees. The Gratuity Plan provided a lump sum payment to eligible employees at retirement or termination of employment, being an amount based on the respective employee's last drawn salary and years of employment with the Company. The Company has employee's gratuity funds managed by an Insurance Company.

Rs.000

17. Employee Benefits - (cont'd.)

	2009	2008
A) Reconciliation of opening and closing balances of the present value of the defined benefit obligation		
Obligations at the beginning of the year	39,018	27,377
Transferred pursuant to Merger	-	2,997
Add: Current Service cost	6,279	9,552
Add: Interest cost	2,629	2,632
Add/ (Less): Actuarial losses/ (gains) due to change in assumptions	22	(326)
(Less): Benefits paid during the year	(2,939)	(3,214)
Obligations at the end of the year	**45,009**	**39,018**
B) Reconciliation of opening and closing balances of the fair value of plan assets		
Fair Value of Plan assets at the beginning of the year	32,206	23,045
Transferred pursuant to Merger	-	2,523
Add: Expected Return on Plan Assets	2,788	2,200
Add: Actuarial Gain	430	454
Add: Contributions	8,215	7,198
(Less): Benefits Paid	(2,939)	(3,214)
Fair Value of Plan assets at the end of the year	**40,700**	**32,206**
C) Reconciliation of present value of defined benefit obligation and the fair value of plan assets to the assets and liabilities recognised in the Balance Sheet:		
Present Value of Obligation as at the end of the year	45,009	39,018
(Less): Fair Value of Plan Assets as at the end of the year	40,700	32,206
Amount recognised in the Balance Sheet	**4,309**	**6,812**
D) Expenses recognised in Profit and Loss Account under "Employee Cost" in Schedule 17:		
Current service cost	6,279	9,552
Add: Interest cost	2,628	2,632
(Less): Expected Return on Plan Assets	(2,788)	(2,200)
(Less): Actuarial gains due to change in assumptions	(408)	(780)
	5,711	**9,204**
E) Investment details of plan assets		
Fund balance with Insurance Company	100%	100%

Based on the above allocation and the prevailing yields on these assets, the long term estimate of the expected rate of return on fund assets has been arrived at. Assumed rate of return on assets is expected to vary from year to year reflecting the returns on matching government bonds.

	2009	2008
F) Actual return on plan assets	8%	8%
G) Assumptions		
Discount rate per annum	7%	8%
Interest rate per annum	7%	8%
Expected return on plan assets	8%	8%
Expected salary increase per annum	6%	6%
Mortality rate	LIC 1994-96 published table of mortality rate	

The estimates of future increase in salary, considered in the actuarial valuation, have been taken on account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

As per management estimate, contribution of Rs.4,800 (2008: Rs.8,400) is expected to be paid to the plan for the year ending March 31, 2010 Defined Contribution Plans

Contribution to Provident and Other Funds under Employees' costs (Schedule 17) includes Rs.17,854 (2008: Rs.15,869) being expenses debited under the following defined contribution plans:

	2009	2008
Provident Fund	12,756	9,134
Family Pension Fund	3,057	4,850
Employee State Insurance	2,041	1,885
	17,854	**15,869**

18. **Segment Information**

Information about Primary Business Segments

The primary segment reporting is based on the business segments of the Company, 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 manifold etc
- Aerospace - comprising of Airframe Structures, Precision Aerospace Components, etc
- Wind farm - Generation of Power through Wind Energy

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.

Rs.000

Particulars	Hydraulic and Precision Engineering		Aluminium Casting		Automotive Components		Aerospace		Wind farm		Unallocated		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
A Primary Segment Reporting														
(i) Revenue														
External - Sales and Services	1,087,256	1,077,629	409,463	365,542	2,142,545	2,138,910	81,739	17,454	579	-	-	-	3,721,582	3,599,535
Less: Excise duty	(110,570)	(139,999)	(441)	-	(265,502)	(353,531)	(1,747)	(751)	-	-	-	-	(378,260)	(494,281)
Inter-Segment Sales and Services	-	-	(406,162)	(361,763)	-	-	-	-	(579)	-	-	-	(406,741)	(361,763)
Other Income	18,676	28,327	17,150	12,374	17,447	22,510	-	(2,612)	9,141	-	13,708	23,241	76,122	83,840
Total Revenue	995,362	965,957	20,010	16,153	1,894,490	1,807,889	79,992	14,091	9,141	-	13,708	23,241	3,012,703	2,827,331
(ii) Result														
Segment Result - EBIDA-Profit/(Loss)	173,071	200,957	46,068	53,100	168,691	234,601	32,523	(970)	5,170	-	13,708	23,241	439,231	510,929
(Less): Depreciation	(38,576)	(28,874)	(24,601)	(16,826)	(85,601)	(69,986)	(14,647)	(5,017)	(8,695)	-	-	-	(172,120)	(120,703)
Segment Result - Profit/(Loss)	134,495	172,083	21,467	36,274	83,090	164,615	17,876	(5,987)	(3,525)	-	13,708	23,241	267,111	390,226
(Less): Interest Expense	-	-	-	-	-	-	-	-	-	-	(152,319)	(87,992)	(152,319)	(87,992)
(Less): Extraordinary/Exceptional Item	-	(2,351)	-	-	-	(251)	-	-	(2,680)	-	-	-	(2,680)	(2,602)
Profit/(Loss) before Taxation	134,495	169,732	21,467	36,274	83,090	164,364	17,876	(5,987)	(6,205)	-	(138,611)	(64,750)	112,112	299,632
(Less) : Provision for Taxation	-	-	-	-	-	-	-	-	-	-	(63,410)	(113,865)	(63,410)	(113,865)
Net Profit/(Loss)	134,495	169,732	21,467	36,274	83,090	164,364	17,876	(5,987)	(6,205)	-	(202,021)	(178,616)	48,702	185,767
(iii) Reconciliation of Segment Revenue with the Financial Statements														
Total Revenue - Sales and Services													2,936,581	2,743,491
Other Income													76,122	83,840
As per Financial Statements													3,012,703	2,827,331
(iv) Other Information														
Segment Assets	898,271	838,313	357,438	340,467	1,537,188	1,304,783	500,736	205,809	319,094	-	735,807	271,915	4,348,534	2,961,287
Segment Liabilities	139,893	478,112	70,388	134,135	443,571	732,570	20,679	60,016	824	-	2,324,295	897,353	2,999,650	2,302,186
Capital Expenditure	72,891	67,748	42,200	74,464	190,446	350,511	238,704	136,356	320,813	-	-	-	865,054	629,079
Depreciation	38,576	28,874	24,601	16,826	85,601	69,986	14,647	5,017	8,695	-	-	-	172,120	120,703
Other Non-Cash Expenses/(Income)	(1,124)	4,006	(20)	1,508	4,221	3,065	(289)	259	-	-	-	-	2,788	8,838

B Secondary Segment Reporting

The Company operates in the domestic market and also exports goods to various countries. Accordingly Secondary Segment reporting disclosures, as applicable are given below on a geographic Segment basis. Segment Revenue, Assets and Liabilities include the respective amounts identifiable to each of the following Segments and allocated on a reasonable basis.

	In India		Outside India		Total	
	2009	2008	2009	2008	2009	2008
Revenue	2,732,411	2,577,851	280,292	249,480	3,012,703	2,827,331
Carrying Amount of Segment Assets	4,348,534	2,961,287	-	-	4,348,534	2,961,287
Capital Expenditure	865,054	629,079	-	-	865,054	629,079

Rs.000

19. Related Party Disclosure

A Names of Related Parties and Description of Relationship

(a) Parties under Common Control:

(i) Subsidiaries	DM 38 Limited, UK (DM 38) Dynamatic Ltd, UK (DLUK) JKM Global Pte Limited, Singapore (JGPL) JKM Research Farm Limited (JRFL)
(ii) Companies over which key management personnel or relatives of such personnel are able to exercise significant influence (Other Related Entities)	Christine Hoden (India) Private Limited (CHIPL) Greenearth Biotechnologies Limited (GBL) JKM Holding Private Limited (JHPL) JKM Human Resources Private Limited (JHRPL) JKM Offshore (India) Private Limited (JOIPL) Primella Sanitary Products Private Limited (PSPPL) Udayant Malhoutra and Co Private Limited (UMCPL) Vita Private Limited (VPL) Wavell Investments Private Limited (WIPL)

(b) Key Management Personnel

(i) Executive Directors	Udayant Malhoutra - Chief Executive Officer and Managing Director V Sunder - President and Group Chief Financial Officer B Seshnath - Executive Director and Chief Marketing Officer N Rajagopal - Executive Director and Chief Operating Officer
(ii) Non Executive Directors	Vijai Kapur Dr K Aprameyan Air Chief Marshal S Krishnaswamy (Retd.) Govind Mirchandani Malavika Jayaram Raymond Keith Lawton Shanti Ekambaram (up to March 04, 2009)

(c) Relatives of Key Management Personnel (Relatives)	Pramilla Malhoutra Udita Malhoutra Barota Malhoutra

B Summary of Transactions with Related Parties is as follows:

Description of Relationship		2009				2008			
	Related Party	Subsidiaries A(a)(i)	Other Related Entities A(a)(ii)	Key Management Personnel A(b)	Relatives A(c)	Subsidiaries A(a)(i)	Other Related Entities A(a)(ii)	Key Management Personnel A(b)	Relatives A(c)
i	**Sales** (inclusive of all applicable duties and taxes)								
	- DLUK	3,954	-	-	-	851	-	-	-
ii	**Other Income**								
	Interest								
	- GBL	-	691	-	-	-	2,035	-	-
	- JGPL	8,013	-	-	-	3,240	-	-	-
	Others								
	- DLUK	-	-	-	-	735	-	-	-
iii	**Expenses**								
	Rent								
	- JRFL	4,200	-	-	-	4,200	-	-	-
	- VPL	-	300	-	-	-	300	-	-
	- JHPL	-	-	-	-	-	84	-	-
	- N Rajagopal	-	-	480	-	-	-	356	-
	- Pramilla Malhoutra	-	-	-	1,400	-	-	-	1,129
	- Udita Malhoutra	-	-	-	300	-	-	-	285
	Salaries and Wages								
	- JHRPL	-	32,089	-	-	-	18,160	-	-

Rs.000

Description of Relationship		2009				2008			
	Related Party	Subsidiaries A(a)(i)	Other Related Entities A(a)(ii)	Key Management Personnel A(b)	Relatives A(c)	Subsidiaries A(a)(i)	Other Related Entities A(a)(ii)	Key Management Personnel A(b)	Relatives A(c)
	Recharges received								
	- JGPL	-	-	-	-	9,622	-	-	-
	- DLUK	1,674	-	-	-	13,613	-	-	-
	Interest								
	- J K Malhoutra	-	-	-	-	-	-	100	-
	Managerial Remuneration								
	- Udayant Malhoutra	-	-	2,007	-	-	-	1,683	-
	- N Rajagopal	-	-	2,124	-	-	-	1,774	-
	- V Sunder	-	-	3,053	-	-	-	2,627	-
	- B Seshnath	-	-	2,048	-	-	-	1,524	-
	Directors sitting Fees								
	- Air Chief Marshal S Krishnaswamy (Retd.)	-	-	225	-	-	-	360	-
	- Dr. K Aprameyan	-	-	180	-	-	-	320	-
	- Vijai Kapur	-	-	105	-	-	-	255	-
	- B Seshnath	-	-	-	-	-	-	150	-
	- Malavika Jayaram	-	-	90	-	-	-	-	-
	- Shanti Ekambaram	-	-	45	-	-	-	150	-
	- Govind Mirchandani	-	-	90	-	-	-	-	-
	- Others	-	-	60	-	-	-	185	-
iv	**Recharges made**								
	- DLUK	1,115	-	-	-	-	-	-	-
	- JGPL	714	-	-	-	-	-	-	-
	- DM 38	2,910	-	-	-	-	-	-	-
	- JGPL	26,200	-	-	-	-	-	-	-
v	**Dividend**								
	Interim Dividend								
	- JHPL	-	2,008	-	-	-	2,008	-	-
	- JOIPL	-	1,037	-	-	-	1,037	-	-
	- UMCPL	-	1,543	-	-	-	-	-	-
	- Udayant Malhoutra	-	-	2,364	-	-	-	2,627	-
	- Others	-	300	-	12	-	300	-	12
	Final Dividend								
	- JHPL	-	1,205	-	-	-	4,016	-	-
	- JOIPL	-	622	-	-	-	2,074	-	-
	- UMCPL	-	926	-	-	-	3,086	-	-
	- Udayant Malhoutra	-	-	1,418	-	-	-	5,254	-
	- Others	-	180	-	7	-	600	1	25
vi	**Advances paid during the year**								
	- JGPL	257,624	-	-	-	-	-	-	-
vii	**Advances recovered during the year**								
	- JGPL	262,633	-	-	-	-	-	-	-
viii	**Loans given during the year**								
	- JGPL	-	-	-	-	96,418	-	-	-
ix	**Loans repaid by the Company during the year**								
	- J K Malhoutra	-	-	-	-	-	-	800	-
x	**Loans repaid to the Company during the year**								
	- GBL	-	18,500	-	-	-	-	-	-
xi	**Investments made during the year**								
	- JGPL (Includes receivables of Rs.26,200 converted into investments during the year)	408,469	-	-	-	65,258	-	-	-
	- JRFL	16,000	-	-	-	-	-	-	-

Rs.000

Description of Relationship		2008				2007			
	Related Party	Subsidiaries A(a)(i)	Other Related Entities A(a)(ii)	Key Management Personnel A(b)	Relatives A(c)	Subsidiaries A(a)(i)	Other Related Entities A(a)(ii)	Key Management Personnel A(b)	Relatives A(c)
xii	**Shares Issued during the year pursuant to**								
	Merger								
	- UMCPL	-	-	-	-	-	6,171	-	-
xiii	**Balances as on March 31, 2009**								
	Outstanding Payables								
	- JRFL	-	-	-	-	1,061	-	-	-
	- DLUK	-	-	-	-	58	-	-	-
	- JHRPL	-	3,525	-	-	-	1,757	-	-
	- UMCPL	-	2,469	-	-	-	3,086	-	-
	- JHPL	-	3,213	-	-	-	4,016	-	-
	- JOIPL	-	1,659	-	-	-	2,074	-	-
	- Udayant Malhoutra	-	-	3,782	-	-	-	5,254	-
	- Others	-	480	-	19	-	606	1	25
	Outstanding Receivables								
	- GBL	-	-	-	-	-	2,718	-	-
	- JGPL	14,547	-	-	-	5,870	-	-	-
	- DLUK	3,579	-	-	-	3,615	-	-	-
	- VPL	-	-	-	-	-	3,500	-	-
	- JRFL	4,261	-	-	-	-	-	-	-
	- DM 38	2,910	-	-	-	-	-	-	-
	- Pramilla Malhoutra	-	-	-	-	-	-	-	800
	- N Rajagopal	-	-	-	-	-	-	200	-
	- Udita Malhoutra	-	-	-	-	-	-	-	2
	Outstanding Loans Receivables								
	- JRFL	-	-	-	-	16,000	-	-	-
	- JGPL	122,533	-	-	-	96,635	-	-	-
	- GBL	-	-	-	-	-	18,500	-	-
xiv	**Contingent Liability**								
	Corporate Guarantee Outstanding								
	- JGPL	167,376	-	-	-	132,000	-	-	-
	- DLUK	284,032	-	-	-	224,000	-	-	-
	- DM38	362,450	-	-	-	-	-	-	-

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.

20 Leasing Arrangements

a) Premises, vehicles and other facilities (including those for employee residences) are taken on operating lease. Such leases are generally for a period of 11 to 60 months with options of renewal against increased rent and premature termination of agreement through notice period of 2 to 3 months. The particulars of those leases are as follows:

	2009	2008
Lease Rentals [including Minimum Lease Payments Rs.Nil (2008: Rs. Nil)]		
- Included in Rent (Schedule 18)	**13,713**	10,884
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.

	2009	2008
Lease payments received		
- Included in Other Income (Schedule 15)	**683**	819
Details of Assets given on Operating Lease:		
Plant and Machinery		
- Gross Value	**21,333**	21,333
- Accumulated Depreciation	**17,547**	16,864
- Depreciation for the year	**683**	819

		2009	Rs.000 2008
21	**Earnings Per Share**		
a)	Before Extraordinary/ Exceptional items:		
	Net Profit after tax available for equity shares	**51,382**	188,369
	Basic/Weighted Average number of Equity Shares of Rs.10 each	**5,199**	4,204
	Basic and Diluted Earnings Per Share (Rs.)	**9.88**	44.81
b)	After Extraordinary/ Exceptional items:		
	Net Profit after tax available for equity shares	**48,702**	185,767
	Basic/Weighted Average number of Equity Shares of Rs.10 each	**5,199**	4,204
	Basic and Diluted Earnings Per Share (Rs.)	**9.37**	44.19

22 Taxation:

a) Transfer Pricing:

The Finance Act, 2001 has introduced, with effect from assessment year 2002-03 (effective April 1, 2001), detailed Transfer Pricing regulations for computing the taxable income and expenditure from 'international transactions' between 'associated enterprises' on an 'arm's 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.

For fiscal year ended March 31, 2008 the Company had undertaken a study to comply with the said transfer pricing regulations for which the prescribed certificate of the Accountant has been obtained and this did not envisage any significant tax liability.

For the fiscal year ending March 31, 2009, the Company will carry out a similar study to comply with the said regulations.

b) Current Taxation:

Provision for Income Tax has been made as per Minimum Alternate Tax (MAT) provisions of the Income Tax Act, 1961 as the Company has taxable loss as against profits in the Profit and Loss Account, mainly on account of higher tax depreciation available on Plant and Machinery pertaining to the Windfarm division acquired during the year (Note 31 below). The provision for the year is net of reversal of excess tax provision made in earlier years aggregating to Rs.6,500 (2008: Rs. Nil).

In accordance with the Guidance Note on 'Accounting for Credit available in respect of Minimum Alternate Tax (MAT) under the provisions of Section 115JB of the Income Tax Act, 1961', issued by Institute of Chartered Accountants of India (ICAI), the Company can avail MAT credit and recognise an asset only when and to an extent there is convincing evidence that the Company will pay normal Income tax during the specified period (i.e., a period of 7 years as specified under the provisions of Income Tax Act, 1961). The management estimates that based on business plans and existing tax laws, the Company would pay normal taxes effective assessment year 2011-12 which is within the specified period. Accordingly, during the year the Company has availed MAT credit entitlement and recognised an asset amounting to Rs.12,145 (2008: Nil) shown under Loans and Advances in Schedule 11 of the accounts.

c) Deferred taxation:

	2009	2008
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	**4,732**	4,622
- Provision towards warranty	**807**	902
- Provision towards doubtful debts and advances	**5,576**	4,453
- Others	**15,775**	2,193
	26,890	12,170
(B) (Less): Deferred Tax Liabilities arising from:		
(ii) Difference between carrying amount of fixed assets in the financial statements and the Income Tax Return [Note 1(n) above]	**(236,665)**	(160,485)
Net Deferred Tax Liability carried to Balance Sheet (A-B)	**(209,775)**	(148,315)
Movement in Deferred tax (Liability)/ Asset	**(61,460)**	(93,212)

	2009	Rs.000 2008
Accounted as:		
Deferred Tax Liability acquired on Merger	-	(52,881)
Credit/ (Charge) in Profit and Loss Account under "Provision for Taxation"	**(64,688)**	(40,331)
Deferred tax credit adjusted to opening balance of General Reserve pursuant to notification amending Accounting Standard 11 (Note 28 below)	**3,228**	-
Net Deferred tax credit/ (charge) for the year	**(61,460)**	(93,212)

Notes:

a) The tax impact for the above purpose has been arrived by applying a tax rate of 33.99 % (2008: 33.99 %) being the prevailing tax rate for Indian companies under the Income Tax Act, 1961.

b) Deferred tax asset on carried forward losses has been recognised to the extent of the aggregate deferred tax liability on timing differences.

c) Includes deferred tax liability aggregating to Rs.28,052 arising from accounting of exchange loss, relating to long term monetary items debited to fixed assets in terms of amended AS 11 (Note 28 below).

23 Provisions

	2009	2008
Product Warranty [Note 1(c) above]		
At beginning of the year	**2,655**	655
Transferred pursuant to merger	-	1,000
Add: Provisions made during the year	**1,063**	4,320
Less: Utilised during the year	**230**	3,320
Lees: Reversed during the year	**1,115**	-
At the end of the year	**2,373**	2,655

24 Motor cars purchased under Hire Purchase Agreements have been given to certain employees for their use under the terms the said cars will be transferred to the related employees at Rs.180 per car after 5 years. The aforesaid amount is deductible in 60 monthly equal instalments from their salary. The deduction at the year end Rs. 2,934 (2008: Rs.1,939) has been considered as deposits received from employees and included under Current Liabilities.

25 The Company was allowed to defer the payment of Sales taxes in respect of its automotive division and foundry division for a period of nine years in each case. The sales taxes so deferred is in the nature of interest free unsecured loan repayable after the expiry of the deferment period, on a year to year basis (the first repayment falls due in September 2010) . Accordingly, the sales tax loan aggregating to Rs 44,408 (Rs.16,294 in respect of the JKM Automotive Division and Rs.28,114 in respect of the Foundry Division) (2008: Rs 44,373) so deferred has been disclosed as Unsecured Loan under Schedule 4 of the accounts.

26 Fixed assets include 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**	
	2009	**2008**	**2009**	**2008**
Land and Development	**13,014**	13,014	**13,014**	13,014
Buildings	**9,510**	9,510	**4,033**	4,346
Electrical Installations	**617**	617	**133**	162
	23,141	23,141	**17,180**	17,522

27 (i) The Company has imported certain machinery under the 'Export Promotion Capital Goods' (EPCG) scheme. According to the said scheme, the Company is entitled to import machinery at concessional customs duty with an obligation to export Rs. 145,468 (2008: Rs.349,719) within a period of eight years.

The details of export obligation are as under:	**2009**	2008
Export Obligation at the beginning of the year	**349,719**	87,406
Automotive division's opening balance taken over pursuant to merger	-	348,529
Add: Export Obligation accrued during the year	**17,415**	105,109
(Less): Exports made during the year	**(221,666)**	(191,325)
Export Obligation as at the end of the year	**145,468**	349,719

Rs.000

(ii) The Company has imported certain Raw materials and Components under the 'Advance Licence' scheme. According to the said scheme, the Company is entitled to import Raw material and Components with exemption on customs duty with an obligation to export Rs. Nil (2008: Rs.15,318) within a period of two years.

The details of export obligation are as under:

	2009	2008
Export Obligation at the beginning of the year	**15,318**	-
Automotive division's opening balance taken over pursuant to merger	-	12,315
Add: Export Obligation accrued during the year	-	51,738
(Less): Exports made during the year	**(15,318)**	(48,735)
Export Obligation as at the end of the year	-	15,318

28 Pursuant to the Notification No. G.S.R. 225(E) dated March 31, 2009 issued by the Ministry of Corporate Affairs, the Company has opted to adjust the exchange differences relating to long term monetary items as explained in Note 1(e) above with retrospective effect from April 1, 2007 vis-à-vis recognition of aforesaid exchange differences as income/ expense in the Profit and Loss Account in the earlier years.

a) Accordingly, foreign exchange gain amounting to Rs.9,498 and foreign exchange loss amounting to Rs.82,529 for the year ended March 31, 2008 and March 31, 2009 respectively, has been adjusted to the cost of fixed assets with corresponding impact on opening balance of general reserve and foreign exchange loss for the year. Accordingly, an amount of Rs.9,498 (gain) has been reduced from the cost of fixed assets and Rs.6,270 (net of related deferred tax credit of Rs.3,228) has been debited to the General Reserve.

b) Had the Group not opted to apply the aforesaid notification, loss for the year would have been higher by Rs. 82,529, having consequential impact on the net worth of the Company.

29 Depreciation on Office Equipments and Furniture and Fixtures which hitherto were depreciated at 4.75% p.a and 6.33% p.a respectively, are from current year depreciated at the rate of 20% p.a and 10% p.a respectively, resulting in additional depreciation charge of Rs.7,107 for the current year having consequential effect on the profit for the year and on the net worth of the Company.

30 Secured Loan:

	2009	2008
From Banks		
(i) Term Loan:		
- In Rupees		
Secured, ranking pari passu among the lenders, by way of first charge on immovable fixed assets.	**38,773**	62,384
Secured, ranking pari passu among the lenders, by way of first charge on movable and immovable fixed assets.	**28,125**	56,236
Secured, ranking pari passu among the lenders, by way of first charge on movable and immovable fixed assets of Bangalore Plant.	**8,351**	27,503
Secured, ranking pari passu among the lenders, by way of first charge on fixed assets and second charge on stocks and book debts of the Company	**47,368**	60,000
Secured, ranking pari passu among the lenders, by way of first charge on fixed assets [other than those referred in (iii) and (iv) below] and second charge on current assets of the JKM Automotive Division.	**59,524**	94,748
Secured, ranking pari passu among the lenders, by way of first charge on fixed assets and second charge on current assets of the Company	**467,518**	-
	649,659	300,871
- In Foreign Currency		
Secured, pari passu first charge on fixed assets [other than those referred in (iii) and (iv) below] of the JKM Automotive Division.	**282,412**	280,782
Secured, pari passu first charge on movable fixed assets of the Company.	**382,269**	-
Secured, pari passu first charge on fixed assets and second charge on current assets of the Company	**92,797**	76,000
	757,478	356,782
(ii) Cash Credit and Working Capital Loan		
Secured, ranking pari passu among the lenders, by way of first charge on current assets and second charge on fixed assets of the Company.	**445,442**	531,834

		2009	Rs.000 2008
(iii)	From Financial Institutions		
	Term Loan		
	Secured against certain movable fixed assets of JKM Automotive Division	**2,110**	16,955
(iv)	Vehicle Loans		
	Secured against vehicles purchased from such loans	**10,556**	13,937
(v)	Interest Accrued and Due	**3,039**	1,640
		1,868,284	1,222,019

31 Acquisition of Wind farm Business:

(i) Pursuant to agreements dated September 1, 2008 with Tamil Nadu Petroproducts Limited, the Company has during the year acquired movable and immovable assets of a Wind Farm located in Coimbatore at book value for a consideration of Rs.320,813 as detailed below:-

Land	**171,515**
Building	**7,630**
Plant and Machinery	**141,506**
Other Assets	**162**
	320,813

(ii) Consequent to delay in the execution of the agreements, subsequent to payment of advance for purchase of the wind farm, certain related income and expenses accrued/ incurred during the period (post payment of the advance but before the execution of the agreements) have been treated as exceptional item (Refer Note 32 below)

(iii) Income from sale of power to Electricity Board aggregating to Rs.9,141, pending transfer of Power Supply Agreement in favour of the Company has been included under Miscellaneous Income in Schedule 15 and income from sale of power to Electricity Board subsequent to the transfer of the said agreement amounting to Rs. 579 has been netted off against power cost in schedule 18.

32 Extraordinary/ Exceptional items:

		2009	2008
a)	Merger expenses (Refer Note 33 below)	-	2,602
b)	Pre-acquisition expenses/ (income) related to purchase of Wind farm (Refer Note 31 above)		
	(i) Revenue from power generation	**(1,966)**	-
	(ii) Finance charges	**4,646**	-
		2,680	2,602

33 In the previous year, the High Court of Karnataka approved the scheme of amalgamation of JKM Daerim Automotive Limited, the transferor Company engaged in manufacture of Automotive components with the Company with effect from April 1, 2007. The expenses relating to Merger amounting to Rs.2,602 has been treated as an extraordinary/exceptional item in the profit and loss account in the previous year.

34 Derivative transactions

The information on derivative instruments is as follows:

a) As explained in Note (1) (f) above, for the purposes of accounting for derivative instruments, effective April 1, 2008, the Company has applied the principles of AS 30 ' Financial Instruments : Recognition and Measurement' whereas the announcement of the ICAI (dated March 29, 2008) was followed for accounting of derivative instruments in the previous year. Had the Company continued to follow the announcement of the ICAI in the current year, the profit for the year would have been lower by Rs.63,544 having consequential impact on the net worth of the Company.

b) Cash flow hedge

The Company has hedged a part of its future foreign currency receivables to mitigate its foreign exchange fluctuation risks. The same has been designated as a cash flow hedge with effect from April 1, 2008 applying the hedging criteria. The mark to market loss on this contract at the date of designation of the hedge amounting to Rs.8,950 (after discounting) has been debited to the profit and loss account. The movement in the MTM subsequent to the designation as a cash flow hedge amounting to Rs. 64,434 has been accounted as follows:

(i) Accounted under Hedge Reserve Rs.63,544

(ii) Debited to profit and loss account (representing ineffective portion) Rs.890 under exchange loss (Net) in schedule 18.

Rs.000

The details as at balance sheet date are as follows:

	2009	2008
Outstanding contract value in foreign currency (USD)	**6,100**	9,000
Equivalent Indian Rupees (INR)	**309,392**	360,000
Mark to Market value	**73,384**	9,848*

*Not accounted for in the previous year as explained in note 34(a) above

c) Forward or option contracts

(i) Certain external commercial borrowings (ECB) in Japanese Yen (JPY) has been swapped into US dollar (USD) both towards principal repayments and interest liabilities. For hedging the intermediate exchange of principal and interest (for part of the swapped value), the Company has entered into an embedded USD/INR option. The swap and the embedded option are co-terminus with the loan agreement. It is the intention of the management not to foreclose the above arrangement during the tenure of the loan and accordingly no gain/loss is anticipated in this regard from fluctuations in JPY.

The MTM gain on these contracts amount to Rs.43,188 out of which only MTM gain relating to USD to INR portion amounting to Rs.8,110 has been recorded in the books under Exchange Loss (net) in Schedule 18 (since, as aforementioned, no gain/loss is anticipated in this regard from fluctuations in JPY).

The details as at balance sheet date are as follows:

A. contract for swap of JPY to USD

2 (2008: 2) outstanding swap contracts to hedge the foreign currency exposure arising on the said ECB.

Currency	**2009**	2008
JPY	**652,250**	823,000
Equivalent USD	**5,568**	7,020
Equivalent INR	**282,412**	280,780

B. Embedded option for intermediate exchange of principal

1 (2008: 1) outstanding embedded option contract for intermediate exchange of principal and interest arising from (A) above:

Currency	**2009**	**2008**
USD	**1,148**	2,296
Equivalent INR	**58,231**	91,847

(ii) Certain other ECBs in JPY has been swapped into Indian Rupees (INR) both towards principal repayments and interest liabilities. The swap arrangement is co-terminus with the loan agreement and it is the intention of the management not to foreclose the said arrangement during the tenure of the loan and accordingly no gain/loss is anticipated in this regard from fluctuations in JPY.

The MTM loss on the contract amounts to Rs.3,110, which has not been recorded in the books (since, as aforementioned, no gain/loss is anticipated in this regard from fluctuations in JPY).

The details as at balance sheet date are as follows:

Contract for swap of JPY to INR

1 (2008: Nil) outstanding swap contract to hedge the foreign currency exposure arising on the aforesaid ECB.

Currency	**2009**	2008
JPY	**786,400**	-
Equivalent INR	**382,269**	-

d) Foreign currency exposures not hedged by a derivative instrument or otherwise:

As of the balance sheet date, the foreign currency exposure arising out of operations in India and not hedged by a derivative instrument or otherwise represents:

	2009	2008
Receivables	**158,657**	198,487
Payables	**673,886**	356,509

Rs.000

35 The Company has re-evaluated the recoverable amount of its Assets as at the year end and there were no indications that the assets were impaired.

36 During the year, the Company has raised Rs.745,336 through allotment of 604,000 equity shares of Rs.10 each at a price of Rs.1,234 per share to Qualified Institutional Buyers pursuant to Qualified Institutional Placement under Chapter XIII-A of the SEBI (DIP) Guidelines. The related share issue expenses have been debited to the Securities Premium Account.

37 These financial statements have been prepared on a going concern basis considering support from its bankers in the future at existing level, although there has been breach of few covenants of some loans which either has been waived temporarily by the bank or are under negotiation with banks for relaxation.

If such relaxations are not granted, adjustments would be necessary to record assets/ liabilities at recoverable/ payable values.

Whilst the management recognises this possibility, it still believes that under the circumstances, it is appropriate to follow the going concern basis.

38 Buyer's credit arrangements are rolled over as envisaged since origination and are outstanding for a period exceeding 12 months.

39 Amounts mentioned in notes on accounts and other Schedules are all in Rupees thousands except for those in notes on Schedule 1, Schedule 6 and Note 21.

40 (i) Current year figures are after giving effect to the acquisition and operations of the Windfarm Division and accordingly the current year figures are not comparable with those of the previous year.

(ii) Figures for the previous year have been regrouped / rearranged, wherever necessary.

Dr. K APRAMEYAN
Director

S GOVINDARAJAN
Director

GOVIND MIRCHANDANI
Director

RAYMOND K LAWTON
Director

B SESHNATH
Executive Director and CMO

N RAJAGOPAL
Executive Director and CTO

V SUNDER
President and Group CFO

UDAYANT MALHOUTRA
CEO and Managing Director

PLACE : BANGALORE
DATE : 30th JUNE, 2009

N RAM MOHAN
Financial Controller

G HARITHA
Company Secretary

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

1. Registration Details

Registration No :	L85110KA1973PLC002308	State Code	08
Balance Sheet Date :	March 31, 2009		

2. Capital Raised During the Period :
(Amount in Rs. Thousands)

Public Issue	Nil	Rights issue	Nil
Bonus Issue	Nil	Private Placement	6,040
Placement on Merger	Nil		

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

Total Liabilities	3,609,009	Total assets	3,609,009
Source of Funds			
Paid up Capital	54,147	Secured Loans	1,868,284
Reserves and Surplus	1,294,737	Unsecured Loans	182,066
Deferred tax liabilities	209,775		
Application of Funds			
Net Fixed Assets	2,303,578	Investments	509,857
Net Current Assets	795,574	Miscellaneous Expenditure	Nil
Accumulated Losses	Nil		

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

Turnover (including Other Income Rs. 76,122)	3,012,703	Total Expenditure	2,900,591
Profit/(Loss) Before Tax	112,112	Profit/Loss After Tax	48,702
Earning Per Share Rs. (Before Extraordinary/Exceptional Items)	9.88	Dividend Rate%	40%
Earning Per Share Rs. (After Extraordinary/Exceptional Items)	9.37		

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

Items Code No	8413.19	8479.10	870790.01	8481.80
Product Description	Hydraulic Gear Pumps	Power Pack Pump Unit	Automotive Components	Valves
Services Description				

Dr. K APRAMEYAN
Director

S GOVINDARAJAN
Director

GOVIND MIRCHANDANI
Director

RAYMOND K LAWTON
Director

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President and Group CFO

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CEO and Managing Director

N RAM MOHAN
Financial Controller

G HARITHA
Company Secretary

PLACE : BANGALORE
DATE : 30th JUNE, 2009

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DYNAMATIC LIMITED, UK

Swindon 2008-09
Review of Business

The Financial Results of the Company for the year ended 31st March, 2009 were as follows:

Dynamatic Limited, UK	(Rs. In Lacs)
Particulars	**Year ended 31.03.2009**
Sales	8,570.72
EBITDA	(69.56)
Interest	(259.31)
Depreciation	(135.59)
PBT *(Before Extraordinary Items)*	(464.46)
Extraordinary Items	
Unrealised Forex Loss	(403.95)
PBT *(After Extraordinary Items)*	(868.41)
Tax	206.38
Profit After Tax	(662.03)

The Swindon facility underwent many changes during this last financial year, all aimed at increasing profitability and also broadening our overall customer base to increase market share in the hydraulic gear pump business. In line with the Global downturn, starting September 2008, we saw the initial impact of the global recession really hit the Swindon Sales and very quickly saw a drop of around 30% which had increased to 40% towards the end of the year. Our reaction to this very sudden drop in order intake was immediate in that we looked at all ways to reduce our fixed costs, to minimise the impact on our financial results whilst also preserving our cash.

There have been many reductions in our fixed costs with the biggest impact being felt by the entire workforce who have been working 3 weeks per month, on 75% salary, in line with the order book requirement whilst we have also eliminated shift patterns across the manufacturing floor further reducing our business costs. The entire workforce has shown tremendous resilience and support for the Company as the wage reduction has meant financial hardship for many of the workforce. There have been many other savings made such as working with the local council to defer rent payments, achievment of rate reduction on unused space, renegotiation of utility costs and review of working hours to close early on Fridays thereby reducing utility costs.

Another key milestone for the business was the opening of its own warehouse in Seymour, North America in December 2008. This concluded the Transition Sales Agreement with Sauer Danfoss for North America and has enabled us to take control of sales and distribution in North America, further reducing our costs.

Future Outlook

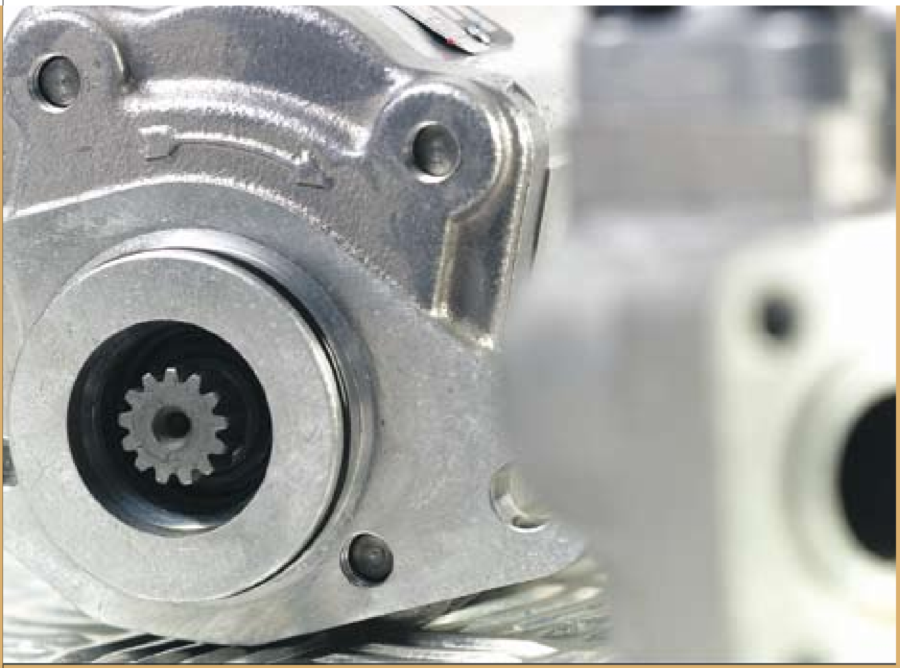
During this very difficult period we have been working with all our customers, exploring new product opportunities, reviewing cost and pricing levels ensuring we offer Quality Products at Cost-Effective Prices. In-house initiatives such as the implementation of Lean Processes 6S, TPM and Standard Work has also helped in reducing cost and regaining lost market share.

This culminated in the launch of a Gold Value product range for CNH, which we are sure, will be key to our future growth, as the market recovers. This product will enable us to directly compete with low cost copy products from South America, which are some of our main threats.

We have continued through this period to focus on our Quality and with continuous improvement initiatives driven and supported by our drive in Lean processes, we have continued to improve our overall product quality and performance. This has led to us recommencing supplies to some of our previous OEM customers such as CNH in Belgium, Brazil and Mexico and also John Deere in the U.S. There are many other product developments and opportunities that we are currently involved in with these and other key customers, which give us cause for optimism as we move forward.

The current order book is showing some initial signs of recovery but we expect the full recovery, i.e. to the extent of sales achieved during the first half of previous year, to happen by the end of the current financial year.

Further, in line with the larger vision of diversifying Swindon



Business Unit into Aeronautical Engineering, the following steps have been taken to identify synergies across the units of the group and to effectively harness such synergies so as to best serve the interest of all stakeholders:

1. Swindon Business Unit has re-tooled some of the available machines to make parts for Aerospace applications.

2. Swindon Business Unit has re-organised the plant layout to 'free-up' 120,000 sq.ft of space. This space will be utilised to install additional machinery required to produce parts for Aerospace requirements.

3. Swindon's team is in the process of upgrading their Quality Systems and Certifications to be compliant with Aerospace requirements, under guidance from Oldland Aerospace.

4. Employees are being re-trained to be compliant with Aerospace requirements.

A few of the associated benefits emerging from the synergies between Dynamatic Limited UK Business Unit and Oldland Aerospace Business Unit are:

1. **Leveraging Fixed Costs**
A significant portion of the fixed costs of Swindon (currently operating at sub-optimal levels) like Employee Costs, Lease Rentals for building, Insurance Costs, Interest Cost & Depreciation will be absorbed by the additional Aerospace activity. This will turn-around the current Hydraulics business and make it profitable. The additional revenues generated from Aerospace activity will increase the overall profitability of the unit.

2. **Manpower Sharing**
Skilled manpower can be deputed between locations, on a need basis, reducing the need to duplicate such skilled manpower.

3. **Engineering Resources and High-End Manufacturing Software**
Dynamatic Limited can take advantage of the engineering facilities existing in Bristol, without having to duplicate the same at significant costs.

4. **Building and Infrastructure**
Swindon's available space and infrastructure will be utilised without additional cost.

5. **Quick Start-up time**
Start-up time for the project will be relatively less compared to a Greenfield Project.

6. **Low Investment**
Overall investment in the project is expected to be extremely low, due to availability of existing facilities.

The Directors and the entire Swindon Business Team are very confident in the future outlook for the Swindon Plant. Although growth in Hydraulics over the next year may be limited due to global market conditions, the business is well positioned to take advantage of the synergies of the group, in particular, the addition of Aerospace business which will have a positive impact on the Company's future growth.

Raymond Keith Lawton
Executive Director and
Chief Operating Officer

DIRECTORS

Mr. Udayant Malhoutra	--	Chairman
Mr. Michael John Handley	--	Director
Mr. V Sunder	--	Director
Mr. Ian Patterson	--	Technical Director & Chief Technology Officer
Mr. Raymond Keith Lawton	--	Executive Director & Chief Operating Officer

FINANCE HEAD AND COMPANY SECRETARY

Mr. Tony Atkins FCCA

AUDITORS

PricewaterhouseCoopers LLP, Bristol
Chartered Accountants & Statutory Auditors, Bristol

BANKERS

State Bank of India, London

REGISTERED OFFICE

Cheney Manor, Swindon, Wiltshire SN2 2PZ, England

OLDLAND AEROSPACE LTD, UK

Bristol 2008-09

Review of Business

The Financial Results of DM 38 Limited, Holding Company of Oldland Aerospace Limited, for the period ended 31st March, 2009 were as follows:

DM 38 Limited, UK
(From October 2008 to March, 2009)

Particulars	(Rs. In Lacs) **Period ended 31.03.2009**
Sales	2,665.22
EBITDA	580.24
Interest	(160.35)
Depreciation	(144.32)
PBT *(Before Extraordinary Items)*	275.57
Extraordinary Items	
Acquisition Expenses	(64.25)
PBT *(After Extraordinary Items)*	211.32
Tax	(117.64)
Profit After Tax	93.67

Oldland Aerospace Limited (formerly Oldland CNC Limited) became part of the Dynamatic® family on 4th October 2008. The entire Oldland team have coped extremely well with the transition process and have now settled down into a 'business as usual' format.

The global recession hasn't affected our sales order book as yet, but it is reported that the anticipated aircraft build rates will not increase as predicted during the forthcoming year. We have been working closely with Dynamatic Aerospace® on a number of exciting new projects and are hopeful of a positive outcome.

Future Outlook

There are still a lot of opportunities within the aerospace sector at present and we have been tendering on a number of new projects with new customers. Oldland Aerospace Ltd will not only continue to promote its current exemplary track record with its existing customers but will also be leveraging on Dynamatic®'s brand and presence in expanding our current customer base over the following years.

The stringent quality procedures followed by Oldland Aerospace Ltd, internally and externally, which are the corner stones of any successful Aeronautical business, are in the process of being replicated at Dynamatic Limited, Swindon.

As part of our strategy of harnessing synergies across business units, we have been actively promoting the 'Yellow Brick Road' Strategy with our customers. The 'Yellow Brick Road' strategy bundles together the skillsets of Oldland Aerospace™, the infrastructure of Dynamatic Limited, Swindon and the cost advantages of Dynamatic Aerospace®, India, to offer our customers a unique, unparalleled cost advantage over our competitors.

Based on this strategy, competitive offers have been made to certain key customers and the Directors are confident that some of these offers will, very soon, translate into new business for the group.

James Tucker, Director

Claire Tucker, Director

DIRECTORS

Mr. Udayant Malhoutra	--	Chairman
Mr. V Sunder	--	Director
Mr. Raymond Keith Lawton	--	Director
Mr. James Tucker	--	Director
Ms. Claire Tucker	--	Director

COMPANY SECRETARY
Mr. Tony Atkins FCCA

AUDITORS
PricewaterhouseCoopers LLP, Bristol
Chartered Accountants & Statutory Auditors, Bristol

BANKERS
Punjab National Bank (International) Limited, London

REGISTERED OFFICE
Jarvis Street, Barton Hill, Bristol BS5 9TR, England

JKM RESEARCH FARM LTD, INDIA

Bangalore 2008-09

Review of Business

Your Company has established an agricultural farm admeasuring 53 acres 24 guntas in the vicinity of Bangalore.

As you are aware, the Hydraulic division of your parent company, Dynamatic Technologies Limited, is engaged in the design and manufacture of products which find extensive application in mechanized farming and earth moving sectors.
Being a Global major in the design and development and manufacture of such products, Dynamatic® is continuously engaged in finding innovative solutions to upgrade the products of its customers. In this regard, your Company provides an unique opportunity to Dynamatic® to test and validate its products in real time field conditions.

During the year under report, your Company has made an operational income of Rs.42.74 lacs as against an operational income of Rs.42.00 lacs for the previous year. The net loss for the year amounted to Rs.87.26 lacs (previous year profit of Rs.0.75 lacs) after providing an amount of Rs.24.47 lacs for doubtful debts and Rs.25.53 lacs for non moving stock.

Udayant Malhoutra
Chairman

DIRECTORS

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

AUDITORS

M/s. Prasad and Kumar,
Chartered Accountants, Bangalore

REGISTERED OFFICE

Dynamatic Park   Peenya   Bangalore 560 058

balance between short growth and focus
on long term wealth creation
ECONOMICS
socially responsible
nation building
VALUES
integrity
environment friendly
CUSTOMER
CENTRIC
ORGANISATION
STRUCTURE
TOOLS / SKILLS
technology
innovation
excellence
nurture creativity

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 Automotive™
A Division of Dynamatic Technologies Limited

JKM Global Pte Limited, Singapore
A Dynamatic Technologies Company

JKM Research Farm Limited
A Dynamatic Technologies Company

Oldland Aerospace Limited, UK
A Dynamatic Technologies Company

Powermetric® Design
A Division of Dynamatic Technologies Limited

The *Monarch* is perhaps the best known of all North American butterflies.

The common name "*Monarch*" was first published in 1874 by Samuel H. Scudder because "it is one of the largest of our butterflies, and rules a vast domain".

Monarch butterflies are one of the few insects capable of making transatlantic crossings, and it is also found in Europe, Africa and in Australia where it is called the *Wanderer*.

Monarchs are especially noted for their lengthy annual migration. The length of these journeys exceeds the normal lifespan of most monarchs, and how the species manages to return to the same over-wintering spots over a gap of several generations is still a subject of research and mystery.

Monarch butterflies are poisonous or distasteful to birds because of milk-weed poison stored by them. This is nature's way of ensuring survivability against much larger predatory birds.

Dynamatic Technologies Limited

AS 9100, Rev B
A14664

www.dynamatics.com

Dynamatic Limited, UK

FM 29880

www.dynamatic.co.uk

Oldland Aerospace Limited, UK

www.oldlandcnc.co.uk

DYNAMATIC TECHNOLOGIES LIMITED

Dynamatic Park Peenya Bangalore 560 058 India Tel + 91 80 2839 4933/34/35 Fax + 91 80 2839 5823