

# MINUTES

MINUTES OF THE THIRTY EIGHTH ANNUAL GENERAL MEETING OF THE MEMBERS OF DYNAMATIC TECHNOLOGIES LIMITED (the 'Company') HELD AT THE REGISTERED OFFICE OF THE COMPANY AT DYNAMATIC PARK PEENYA, BANGALORE 560 058 ON FRIDAY, SEPTEMBER 27, 2013 AT 10.00 AM.

## PRESENT:

Mr. Vijai Kapur	...	Chairman of Board & Audit Committee
Air Chief Marshal S Krishnaswamy (Retd.)	...	Member and Director, Chairman - Shareholders' Committee Leadership, HRD & Remuneration Committee
Dr. K. Aprameyan	...	Director
Mr. Govind Mirchandani	...	Director
Mr. Raymond Keith Lawton	...	Director
Ms. Claire Louise Tucker	...	Director
Mr. Dietmar Hahn	...	Director
Mr. Udayant Malhoutra	...	Member and CEO & Managing Director

## IN ATTENDANCE:

Ms. Sindhu M	...	GM – Compliance, Legal & Company Secretary
Mr. Sunil Gaggar	...	Partner, B S R & Associates, Statutory Auditors
Mr. Hanuman Sharma	...	Chief Financial Officer

Ms. Sindhu M, Company Secretary welcomed the Chairman, Directors, Members, Auditors, Dynamatic Leadership team, Senior Management, Employee Shareholders, other associates and well-wishers of the Company.

### 1. Chairman of the Meeting

In accordance with Article 88 of the Articles of Association of the Company, Mr. Vijai Kapur, Chairman of the Board, occupied the chair and welcomed the Shareholders of the Company to the Thirty Eighth Annual General Meeting ('AGM') of the Company.

### 2. Quorum

The Chairman ascertained the presence of quorum from the Company Secretary. The Company Secretary reported that, 329 Members were present in person and 47 by proxy. The Chairman declared that the quorum was present and called the meeting to order.

### 3. Register of Director's Shareholding and Register of Proxies

The Chairman announced that the Register of Directors' shareholdings as per Section 307(1) of the Companies Act, 1956 and the Register of Proxies were kept open and were available for inspection by the Members.

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## 4. Presentation of Mr. Udayant Malhoutra, CEO & Managing Director, on the Company's performance

Mr. Udayant Malhoutra, CEO & Managing Director of the Company, made a presentation on the Company's performance. He explained the adverse conditions with which the Company operated during the last financial year. During the presentation, Mr. Udayant Malhoutra touched upon the following key points amongst others:

- The Company is into 4 major divisions, viz., Hydraulics, Aerospace, Automotive and Homeland Security divisions. The brief background of each of these divisions was provided.
- Some challenges faced by the Company:
  - Debt levels during the last financial year grew to a great extent.
  - At the corporate level, growth of the Company in other geographies was off-set by the performance in Chennai division.
  - Power (electricity) break-down / scarcity in Chennai division was the greatest challenge for the foundries in Chennai.
  - The Company's business has high growth potential but at the same time involves high investment.
- Some opportunities for the Company:
  - The weakening Indian Rupee will have adverse impact on the imports into Indian market and this means more business for the Indian players.
  - The weakening Indian Rupee would further have great positive impact on the exports from India.
  - Due to good monsoons during the current financial year, it is expected that, the sale of tractors would go up and this would eventually give higher order book for the Company.
- Company's strategy:
  - Aggressive bringing down of the debts.
  - Monetization of assets.
  - De-leveraging the Balance Sheet.
- Business highlights:
  - The Company has ensured, uninterrupted power supply to the Chennai division.
  - Company has invested about INR 60 crores in acquisition of 30 acres of land near Devanahalli to develop 'Dynamatic Aerotropolis'.
  - Aerospace division has been witnessing promising growth and the Company has managed to bag some excellent orders including orders from Boeing, manufacturing cabins for BELL helicopter for the entire South-Asia.
  - The market for Homeland security realm is around INR 2 billion. The division has managed to get orders from Aerovironment which is the biggest contract for manufacture of UAVs. This division is also into manufacture of un-manned aerial solutions and mobile surveillance vehicles.
  - The relocation of Hydraulic division to a nearby location would help Aerospace division to expand within the existing premises by occupying the space presently occupied by Hydraulics. The expansion of Aerospace division would support in accommodating the high number of orders in the Aerospace division.
  - The manufacture of OEMs has been a key factor in bringing about profitability in the operation of Hydraulics, UK.
- Corporate structure: The Company has a commendable work force and some of the recent talent acquisitions made by the Company in the Human Resource department, Legal & Secretarial and Finance teams have greatly

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Mr. Udayant Malhoutra mentioned that, with Company's focus on customer satisfaction, the Company would soon be back on a sustained growth momentum.

## 5. Chairman's Address to the members

The Chairman addressed the Members, highlighting the global scenario in Hydraulics, Automotive and Aerospace industries and Indian economy and predictability, going ahead.

## 6. Auditors' Report

The Chairman requested Ms. Sindhu M, Company Secretary to read the Auditors' Report. At the request of the Members present, the report of the Auditors on the Company's Balance Sheet as at March 31, 2013, Profit & Loss Account and the Cash Flow Statement for the year ended March 31, 2013 was taken as read.

## 7. Notice, Directors' Report along with the audited statement of accounts

With the consent of the Members present, the Notice convening the Thirty Eighth AGM of the Company, Directors' Report along with the audited statement of accounts, as printed and circulated, were taken as read.

## ORDINARY BUSINESS:

### 1. Adoption of Audited Balance Sheet as at March 31, 2013 and the Profit & Loss Account for the year ended March 31, 2013 together with the reports of the Auditors and the Directors thereon

The Chairman invited the Members to share their concerns / questions / comments on the Audited Statement of Accounts.

Dr. Ashok, a Shareholder, requested the management to provide:

1. A route map to the AGM venue.
2. Justification on interest pay out being on the higher side.

He suggested the Company to:

- Produce more of OEM components rather than laying too much reliance on the Aerospace industry which is an industry with low volume, high value and high risk.
- Increase the investment in R&D considering the huge turnover.

Dr. Ashok expressed concern on non-receipt of Annual Report and requested the Company not to take shelter by sending soft copies of Annual Report under the green initiatives of Ministry of Corporate Affairs ('MCA').

Mr. B L Kamath, a Shareholder, requested the management to provide reasons / update on the following:

1. Reasons for not declaring bonus when the Company had Reserves & Surplus of INR 11,573 lakhs.
2. Reasons for not declaring dividends when INR 3,704 lakhs could be transferred to Balance Sheet.
3. Reasons for provisions made for bad debts to the tune of INR 444 lakhs.
4. The steps initiated by the Company towards recovering the trade receivables.
5. Reasons for unrealized foreign exchange amount reported.
6. Reasons for huge amount of cash in hand, which can be profitably

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7. Performance analysis of the Company to be given in better detail in the Annual Report.

Mr. Kamath requested not to hold the AGM at the end of September as most companies had a tendency to hold the AGMs towards the end of September and this would lead to companies holding AGMs on the same date and this in turn would result in lesser number of Shareholders attending the AGM of the Company.

Mr. Udayant Malhoutra answered the Shareholders' queries as under:

- The interest component reported is both on long term debt and working capital facilities availed. Since the interest rates on working capital facilities are always higher when compared to the interest rate on long term debt, the overall interest pay out looks to be a substantial amount.
- Regarding the concern of over-reliance on the Aerospace realm: While aviation industry does not make much money, there is huge potential market for manufacturing Aircrafts and is a large business in India with 45% EBITDA margin. It was mentioned that, the Company is into other businesses and adequate emphasis was being laid on Hydraulics, Automotive and Homeland Security divisions.
- On the request for bonus / dividends, it was requested that, during times of crisis and cash crunch tantalizing the economy, the Shareholders' small bit of sacrifice could yield greater benefits to them in terms of better appreciation in share value in the long term.
- Re: provisions made for bad debts, it was mentioned that, this should not be a concern as the entire amount of provision created would not turn bad. It was stated that, a part of the provision would definitely be recovered from the customers and a strong work force was in place to follow-up on the receivables. It was mentioned that, the provision created in the books was not excessive when compared to the consolidated turnover (provisions being less than 1/3<sup>rd</sup> of the total turnover).
- On the unrealized foreign exchange, it was stated that, this acted as hedging and was in the nature of 'self-insurance' and was not an area of concern.
- Regarding the trade receivables being higher, it was explained that, while the trade receivables were higher, the trade payables were also higher and payments were being deferred to the possible extent. It was informed that, the trade receivables will come down in the future with competent work force of the Company recovering all outstanding amounts.
- On the surplus cash in hand, Mr. Udayant Malhoutra informed that, the interest rates for investment during the last financial year was low and the impact of parking cash in current accounts was negligible. He also stated that, it was not possible to cash the advantage of transferring funds to different geographies due to restrictions imposed by RBI.
- Re: performance analysis, Mr. Udayant Malhoutra said that, while adequate analysis had already been provided in the Annual Report, the suggestions would be taken positively and greater analysis would be provided in the Annual Report next time.

Regarding the route map, Mr. Udayant Malhoutra stated that, this would be kept in mind while preparing the Annual Report for 2014.

On the non-receipt of Annual Report, Mr. Udayant Malhoutra explained that, the Company did not intend to take shelter under the green initiatives of MCA and the Company had promptly posted the Annual Reports to the addresses updated by Members with the Depository Participant / Registrar & Transfer Agents of the Company and some of the Annual Reports had been returned with remark 'address not found'.

All questions raised having been addressed conclusively, the Chairman put the proposal to motion

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Proposed by Mr. B L Kamath and seconded by Mr. A. Adiram Subramnaya, the following resolution was passed unanimously as an ordinary resolution by show of hands:

**"RESOLVED THAT** the Audited Balance Sheet of the Company as at March 31, 2013, Profit & Loss Account and the Cash Flow Statement for the year ended March 31, 2013, together with the reports of the Auditors and Directors thereon be and are hereby considered and adopted."

2. **Cessation of Mr. S. Govindarajan from the Directorship of the Company, who retires by rotation and not being re-appointed as Director of the Company as per Company's policy on age criteria for election to the Board.**

Before putting the proposal to motion, Mr. Udayant Malhoutra, on behalf of the Company, placed on record the commendable services of the Mr. S. Govindarajan while being a Director on the Board of the Company.

The Chairman thereafter invited the Members to pose questions, if any, on the proposal. There being no questions from the Members, the Chairman put the proposal to motion.

Proposed by Mr. A Narasimha Kamat and seconded by Mr. N. Pandurangan, the following resolution was passed unanimously as an ordinary resolution by show of hands:

**"RESOLVED THAT**, Mr. S. Govindarajan, who retires by rotation in accordance with the provisions of Sections 255 and 256 of the Companies Act, 1956 be not re-appointed as Director of the Company in accordance with the Company's policy on age criteria for election to the Board and it is hereby resolved not to fill the said vacancy."

3. **Cessation of Dr. K. Aprameyan from the Directorship of the Company, who retires by rotation and not being re-appointed as Director of the Company as per Company's policy on age criteria for election to the Board.**

Mr. Udayant Malhoutra, on behalf of the Company, placed on record the excellent services and thoughtful advices shared by Dr. K. Aprameyan while being a Director on the Board of the Company. The Directors on the dias, the management and the Shareholders gave a standing ovation to the commendable services of Dr. K. Aprameyan during his Directorship on the Board.

The Chairman invited Members to share their queries / comments if any, on the cessation of Dr. K. Aprameyan. There being no questions, the Chairman put the proposal to motion.

Proposed by Mrs. Rita Gururaj and seconded by Mr. T. S. Chandrashekhar, the following resolution was passed unanimously as an ordinary resolution by show of hands:

**"RESOLVED THAT**, Dr. K. Aprameyan, who retires by rotation in accordance with the provisions of Sections 255 and 256 of the Companies Act, 1956 be not re-appointed as Director of the Company in accordance with the Company's policy on age criteria for election to the Board and it is hereby resolved not to fill the said vacancy."

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4. **Re-election of Ms. Malavika Jayaram, who retires by rotation as Director and, being eligible, offers herself for re-appointment.**

The Chairman invited queries and/or comments from the Members on re-election of Ms. Malavika Jayaram Director of the Company.

There being no questions from the Members, the Chairman put the proposal to motion.

Mrs. Rita Gururaj proposed and Mr. Manjunath seconded the proposal. Accordingly, the following resolution was passed unanimously as an ordinary resolution by show of hands:

**"RESOLVED THAT**, Ms. Malavika Jayaram, who retires by rotation in accordance with the provisions of Sections 255 and 256 of the Companies Act, 1956, and being eligible for re-election be and is hereby re-elected as a Director of the Company".

5. **Re-appointment of M/s. B S R & Associates, Chartered Accountants as Statutory Auditors of the Company**

The Chairman invited queries and/or comments if any, from the Members, on the re-appointment of M/s. B S R & Associates, Chartered Accountants ad Statutory Auditors of the Company.

There being no questions from the Members, the Chairman put the proposal to motion.

Proposed by Dr. Ashok and seconded by Mr. Ramamurthy, the following resolution was passed unanimously as an ordinary resolution by show of hands:

**"RESOLVED THAT** pursuant to the provisions of Sections 224 and 225 of the Companies Act, 1956, M/s. B S R & Associates, Chartered Accountants (Firm Registration No.116231W) be and are hereby re-appointed as Statutory Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of next Annual General Meeting at such remuneration as may be decided by the Board of Directors."

## SPECIAL BUSINESS:

6. **Appointment of Mr. Dietmar Hahn as Director of the Company**

Mr. Vijai Kapur, Chairman, informed that, none of the Directors or key managerial personnel or their respective relatives were interested in the appointment of Mr. Dietmar Hahn as Director of the Company.

The Chairman then invited the Members to share any queries and/or comments on appointment of Mr. Dietmar Hahn as Director of the Company.

There were no queries on the proposal by any of the Members and the Chairman put the proposal to motion.

Dr. Ashok proposed and Mr. N Pandurangan seconded the proposal. The proposal was approved by the Members unanimously as an ordinary resolution by show of hands by passing the following resolution:

**"RESOLVED THAT** Mr. Dietmar Hahn, in respect of whom, the Company has received a notice from a member under the provisions of Section 257 of the Companies Act, 1956, be and is hereby elected and appointed as a Director of the Company, liable to retire by rotation."

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There being no other business, the Chairman thanked the Members for attending the Meeting and the proceedings of the Thirty-Eighth Annual General Meeting of the Company was concluded.

Place: Bangalore

Date: 19/10/13



VIJAI KAPUR  
CHAIRMAN