



Hi-Tech Gears Limited

Passion To Succeed

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21st Annual Report 2006 - 2007

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Tel: (01493) 220934, 220034, 220412
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Plant II:

Plot No. 24, 25 & 26,
Sector -7,
IMT Manesar, Gurgaon,
Haryana
Tel: (0124) 4368018-22
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Bankers

ICICI Bank Ltd.

Citi Bank N.A.,

Standard Chartered Bank,

State Bank of India

State Bank of Bikaner & Jaipur
Bank of Baroda

Registrar & Transfer Agent

MAS Services Limited,
AB-4, Community Center Safdarjung Enclave,
New Delhi-110029
Tel: (011) 26104142 & 26104326,
Fax: (011) 26181081
Email: mas_serv@yahoo.com

Board Of Directors

Mr. Deep Kapuria
Chairman & Managing Director

Mr. Anil Khanna
Independent Director

Mr. K.L. Kalra
Independent Director

Mr. Sandeep Dinodia
Independent Director

Mr. Pranav Kapuria
Deputy Managing Director

Mr. Anuj Kapuria
Director

Senior Executives

Mr. Deepak Rai
CFO & Vice President (Corporate Affairs)

Mr. J.K. Choudhary
CHRO & Vice President (HR)

Mr. Aditya Narayan Singh
Vice-President - Operation (Manesar)

Mr. Tarun Kumar Singh
Vice-President - Operation (Bhiwadi)

Mr. Suresh Garg
General Manager (Finance)

Mr. Vijay Mathur
Deputy General Manager (Finance)

Principal Officer

Mr. Praveen Jain
Company Secretary

Auditors

M/s. Gupta Vigg & Co.
Chartered Accountants
86, South Park Apartments,
Kalkaji, 'B' Block,
New Delhi- 110019.

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Forward Looking Statement

In our report we have disclosed forward-looking information so that investor can better understand the company's future prospects and make informed decisions. This Annual Report and other written and oral statements that we make from time to time contain such forward-looking statements that set out anticipated results based on management's plans and assumptions. We have tried, wherever possible, to identify such statements by using words such as anticipate', estimate', expect', 'projects', 'intends', 'plans', believes', and words and terms of similar substance in connection with any discussion of future operating or financial performance. We cannot guarantee that any forward-looking statement will be realized, although we believe we have been prudent in our plans and assumptions. Achievement of future results is subject to risks, uncertainties and inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Investors should bear this in mind as they consider forward-looking statements. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.



Chairman's Message

Dear Shareholders,

Economic State of Affairs of India

The last financial year has been a remarkable year for the country's economy. The nation crossed the trillion dollar mark, at the rate of a steady 9.4%. Foreign Exchange reserves also saw tremendous growth, from \$142 billion in 2005-06; it closed at \$173.1 billion in 2006-07. The FDI flow has also witnessed a quantum jump closing at \$19 billion. The Manufacturing sector has continued to experience growth at 12.3%.

However, year 2007 started with on a challenging note. The shifting of the rupee dollar conversion has affected Business in more than one ways. It goes without saying that this sudden shift affects Exports across the cross section directly. Added to this the measures for controlling inflation through restriction of Money supply by the RBI has also become an impediment in the ever changing market scenario, which includes the rising CRR and putting newer restrictions on ECB's and FCCB routes.

Industry in India and Hi Tech strategy for the future

One of the most imminent reasons for the shift of the Auto market to Asia has been the Outsourcing of production by the OEM's and Large 1st Tier Suppliers to focus on Low Cost Country (LCC) suppliers. Dismantling trade barriers, which in return leads to access of global capacities, also gave an opportunity for the OEMs to access more production bases in Asia for their global sourcing. India as one such LCC is still coming to terms with the requirements that are demanded by OEM's and Large Tier 1 companies.

As I had the honor of chairing the Working Group on International Business (Exports) for the Automotive Mission Plan 2016 of the Government of India I had the unique opportunity of having a look at these challenges from up close.. Among other issues that have been addressed in this mission statement one of the foremost aspects is to achieve export revenue of \$35 billion in 2016 from \$4.1 billion at present. This is an ambitious target and the road ahead is fraught with many variables, some of them fraught with volatility.

Principle among these are volatility in the international market along with stricter commercial terms. The

hardening of commodity prices is not an Indian phenomenon, but is happening globally. The major challenges that the auto industry is presently facing is with respect to its capability to innovate and upgrade. This might look difficult to achieve but is a crucial aspiration for the Auto components industry.

OEM's and large Tier I companies have gathered huge momentums to look at opportunities in India. Today not only have they begun to understand what it means to operate from India but also have an upper hand in deciding how one should operate in India, because of deep pockets and a vast data base of experience derived from operations set up in similar emerging economies. This exposure has not only help them to set up JV's with Indian companies but also many are setting up shop here.

The confluence of all this is has seen the cost paradigm of operating in Indian Industry transform. On one hand with globalization and imports are threatening to drive business out and on the other hand the liquidity flow in the country is driving up the cost of the already inadequate infrastructure available. The Free Trade Agreements have opened the Indian markets without putting domestic reforms in place: thus creating a mismatch in the speed to assimilate the global economy. As a resultant it is tempting to put the notion of India as an LCC destination under the scanner.

The need for being quick is now here as never before. In spite the steep challenges, and the hardening of the rupee along with reduced rates, two things remain constant:

a) Faith in the Indian Economy

The countries economy is growing at a stable rate of 9% annually. The growth drivers are intact with factors such as a higher GDP growth, the ongoing endeavors of the Public Private partnership for improving infrastructure, greater liquidity, and last but not the least the advantage of having a safe democratic system of governance.

b) Indian Business Environment would emerge into the global volatility

Gradually but surely the Indian Business environment is becoming more global and competitive. With higher international operations comes higher product liability/ greater sensitivity to the customers/ shorter business

cycles and cost pressures on account of international movements - the business of manufacturing in India would have to contend with questions of international technology/ cost competitiveness and Brand recall.

There is still value for a technology embedded manufacturer who is alive to the realities of the shop floor, with a sharp eye to the cost structures. With this faith we at Hi-Tech Gears have chosen an aggressive stance in exports even in the face of a hardening rupee and higher risks. We aspire to :

- 1) Build Hi-Tech as a Global Brand.
- 2) Update and achieve Global standards of Technology to keep in pace with Global Requirements.
- 3) Validate Cost Structures in the International market place.

Company Performance

The financial year 2006-2007 has ended on a upswing for the company. Your company surpassed the budgeted turnover and has achieved a turnover of Rs.29,987.34 Lacs (Previous year 22,535.07 Lacs), recording an increase of 33.07%. The Net Profit (After tax) of the company has been increased from Rs. 553.36 Lacs to Rs. 833.08 Lacs, recording an increase of 50.55 % as compared to the previous year. As is evident the company's effort on war against waste is gathering momentum.

The final dividend of Rs. 1/- per equity share has been recommended in addition to interim dividend of Rs. 1.5/- per equity share for the year 2006-2007."

We at HGL have a *Passion to Succeed*, and being the largest independent transmission manufacturing company of the country, I would like to compliment the entire Hi-Tech family for their dedicated and relentless hard work in achieving the success of the year that has gone by.

As, I conclude I would like to thank our business partners for their continued belief and faith in Hi-Tech's endeavors, and being part of Hi-Tech's growth story.

Deep Kapuria
Chairman& Managing Director



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Down the years

Milestones

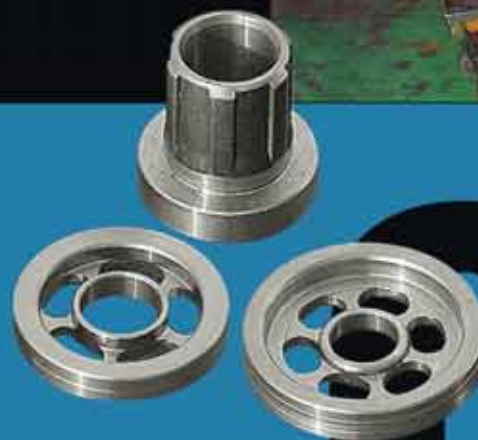
1986	Incorporated as a Public Limited Company	
1988	Production commencement: single source supplier to Hero Honda	
1989	Product Indigenisation	
1992	Technical Tie-up with Kyushu Musashi, a subsidiary of Honda Motors, Japan	
1993	Backward Integration into Precision Forgings	
1995	Selected as single source supplier to Honda Power, Tata Cummins Ltd.	
1996	Technology Agreement with GETRAG, US	
1996	Certified as ISO 9002	
1996	BPR launched	
1997	Selected as a global source to Cummins, US	
1998	Certified as QS 9000	



- 1999 Separate Division to handle high-end design and CAD services established, under the name of Hitech eSoft
- 2002 Launched initiative of Lean Manufacturing
- 2003 Certified for Integrated Quality Management Systems
- 2003 Certified for TS 16949
- 2003 Environment Certification ISO 14001 : 1996
- 2003 Occupational Health & Safety Certification OHSAS 18001 : 1999
- 2004 Establishment of Hitech Robotic Systemz
- 2004 Prototyping/ productionising Precision Components for Robert Bosch, GM, Volvo and Daimler Chrysler



- 2005 State-of-the-art manufacturing facility set up at Manesar
- 2007 Hi-Tech e.Soft (division of HGL) certified for ISO 9001 : 2000





DIRECTOR'S REPORT

Dear Members,

With great pleasure your directors present their 21st Annual Report of your company together with the audited statement of accounts for the financial year ended on March 31, 2007.

Financial Results

The highlights of the financial performance of the company are as under:-

	(Rs. in lacs)	
Particulars	2006-07	2005-06
Sales	29,987.34	22,535.07
Other Income	186.85	91.94
Total Income	30,174.19	22,627.01
Manufacturing Cost	19,814.07	14,772.09
Excise Duty	3,023.94	2,406.33
Other Cost	4,004.29	3,078.19
Depreciation	1,081.29	925.85
Financial Charges	905.92	518.84
Prov. for Tax	511.60	372.36
Total Expenditure	29,341.11	22,073.65
Net profit after tax	833.08	553.36
Balance of profit brought forward	1,404.64	1,218.79
Balance Available for appropriation	2237.72	1,772.15
Appropriations:		
Dividend	234.60	234.60
Tax on dividend	35.98	32.90
Tfr. to G. Reserve	300.00	100.00
Balance Surplus in P & L Account	1667.14	1404.65

Performance

The financial year 2006-2007 has ended on a challenging note. Your company surpassed the budgeted turnover and has achieved a turnover of Rs. 29,987.34 Lac (Previous year 22,535.07 Lac), recording an increase

of 33.07%. The Net Profit (after tax) of the company has been increased from Rs. 553.36 to Rs. 833.08 Lac, recording an increase of 50.55 % as compared to the previous year.

Operations

The year under review was a tough year for the company. Steel prices and financial costs were rising throughout the year. Margins were under Pressure through out the year because of high input costs. Unless costs stabilise at a lower level, Profitability will remain under Pressure.

Exports

During the year under review your company has shown a substantial growth in the export of its components, recording a total export turnover of Rs. 5798.41Lac as compared to Rs. 3,024.16 Lac in the previous year, registering an increase of 92%.

Dividend

An Interim dividend @15% (i.e. Rs. 1.50/- per equity share of Rs. 10/- each) on the paid up share capital of the company amounting to Rs. 140.76 lacs was declared and paid during the year 2006-2007. The directors now recommend to the shareholders a final dividend @ 10% (i.e. Rs. 1/- per equity share of Rs. 10/- each) for the year 2006-2007, which together with the interim dividend already declared and paid by the board of directors shall amount to Rs. 234.60 lacs (Compound dividend rate of 25% for the year under review).

If the dividend on shares as recommended by the board of directors is approved by the shareholders in their 21st Annual General Meeting, payment of such dividend will be made to those members whose names appear in the Register of Members as on September 17, 2007 and in respect of the shares held in electronic form, the dividend will be payable to the beneficial owners of the shares as on the closing hours of business on September 6, 2007, as per the details furnished by the depositories for this purpose.

Electronic Clearing Services (ECS)

As per the circular issued by Securities & Exchange Board of India (SEBI), the companies should mandatorily use the facility of Electronic Clearing Services (ECS), for

distribution of dividends to its members. This facility provides to the members an option to receive dividend amount directly in their bank accounts. For availing this facility, members holding shares in physical form may send their duly filled ECS mandate form to the Company's Registrar and Share Transfer Agent (RTA). Members holding shares in dematerialized form may send their ECS mandate to the concerned Depository Participants (DP) in the prescribed form.

Those shareholders who have not yet opted the ECS facility are once again requested to avail the benefits of ECS.

Postal Ballot

During the financial year 2006-2007, No Special Resolution was required to be passed through postal ballot. At the ensuing Annual General Meeting, there is no item for approval through Postal Ballot.

Code for Prevention of Insider Trading Practices

In compliance with the SEBI (Prohibition of Insider Trading) Regulations, 1992, your company has adopted a Code of Prevention of Insider Trading Practices for its Directors and designated employees. The code lays down guidelines, which include procedures to be followed, and disclosures to be made while dealing in the shares of the Company.

Trading Window

In accordance with the Code of Conduct for prevention of insider trading, company closes trading window for designated employees and directors from time to time. As per policy, trading window closes for the period of 7 (seven) days, prior to the date of board meeting and opens after passing of 24 hours from the conclusion of Board meeting in which the respective quarterly/half yearly/ yearly financial results are approved. The trading window is also closed during and after occurrence of price sensitive events as per the Code of Conduct for prevention of insider trading.

Code of Conduct

Your company has adopted a revised Code of Conduct for its Board Members and Senior Management personnel. The code of conduct has also been posted

on the official website of the company. A copy of such code of conduct has been circulated to all the directors and Senior Management Personnel.

The Declaration by the Chairman & Managing Director of the company concerning compliance with the Code of Conduct for Board Members and Senior Management is annexed with the Corporate Governance report.

Secretarial Audit

M/s Grover Ahuja & Associates, Practicing Company Secretary carried out Secretarial Audit on quarterly basis to reconcile the total issued and listed capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). The board confirms that the total issued/paid up capital as on 31st March, 2007 is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL. The Secretarial audit report is being submitted for every quarter to the Stock Exchanges and is also placed before the Board Meeting from time to time for confirmation.

Transfer of unpaid/unclaimed amount to Investor Education and Protection Fund (IEPF)

Pursuant to the provisions of Section 205A (5) of the Companies Act, 1956, the amount of dividend which remains unclaimed for a period of seven years, from the date of transfer of the amount to unpaid dividend account, would be transferred to the Investor Education and Protection Fund (IEPF) and the shareholders would not be able to make any claims as to the amount of dividend so transferred to the fund. As such, member(s) who have not yet encashed his/their dividend warrant(s) is/are requested in his/their own interest to write to the Company for claiming outstanding dividend declared by the company during the years 1999-2000 and onwards.

The amount of unpaid or unclaimed dividend relating to the financial year ended 31st March, 1995 to 31st March, 1999 have already been transferred to the Investor Education and Protection Fund (IEPF)



Subsidiary Company

The Statement pursuant to Section 212 of the Companies Act, 1956, and the audited accounts of your company's subsidiary company M/s. Hi-Tech Robotic Systemz Inc., USA, is attached with the Annual Report. Also the said subsidiary company has been dissolved and a certificate of dissolution was issued in the month of April, 2007.

Listing of Shares

With a view to provide higher liquidity in the shares of the company, the equity shares of your company are presently listed on the premier stock exchanges viz., the National Stock Exchange (NSE) and the Bombay Stock Exchange Limited (BSE) Mumbai. Further, pursuant to Clause 38 of the Listing Agreement, the annual listing fees for the year 2007-2008 has been duly paid within the prescribed time period.

Dematerialisation of the equity shares

98.35% of the total equity share capital amounting to 92,29,175 equity shares are held in dematerialized form with the participants of National Securities Depository Limited (NSDL) and Central Depository Securities (India) Limited (CDSL) as on March 31, 2007.

Keeping in view the benefits of dematerialization, your directors recommend to the shareholders holding shares in physical form to get their shares dematerialized.

Share Transfer System

The shares of the company are traded in the compulsory demat mode for all investors. All requests for physical share transfer and dematerialization of shares (if in order and complete in all respect) are processed and confirmed within a period of 21 days.

A committee of two directors, under the nomenclature 'Share Transfer Committee' has been empowered to approve transfer, transmission, demat and other related matters regarding the shares of the company.

Directors

Mr. Sandeep Dinodia and Mr. Anil Kumar Khanna directors of the company, retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. Your board of directors

considers that it would be in the interest of the company to avail of the services of the above directors due to their vast knowledge, experience and ability.

Mr. Deep Kapuria, was reappointed as Chairman & Managing Director w.e.f. 01.01.2007 by the Board of directors and his remuneration has been revised on 08.03.2007 subject to your approval and Central Government approval. An Application has been made to Central Govt. for seeking their approval. Approval for the same is still awaited.

A brief resume of the directors proposed to be appointed/reappointed and the Information pursuant to Clause 49 VI (A) of the Listing Agreement is being annexed to the Notice convening the 21st Annual General Meeting.

Directors Responsibility Statement

In compliance of Section 217(2AA) of the Companies Act, 1956, as amended by the Companies (Amendment) Act, 2000, the directors of your company confirm:

1. that the applicable accounting standards have been followed in the preparation of final accounts for the year ended March 31st, 2007 and that there are no material departures.
2. that such accounting policies have been selected and applied consistently and such judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at March 31, 2007 and of the profit of the company for the year ended on that date.
3. that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the company and preventing and detecting fraud and other irregularities, and
4. that the annual accounts for the year ended March 31, 2007 have been prepared on a going concern basis.

Particulars of the Employees

Information in accordance with the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended, is given in Annexure-I, to this report.