

Passion to Succeed

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Registered Office & Works

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Bhiwadi- 301019
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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, Communtiy 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. Ashish Tandon

Vice-President & CFO

Mr. Parveen Chand Katoch

Associate Vice President - HR

Mr. Suresh Garg

General Manager (Finance)

Mr. Vijay Mathur

General Manager (Finance)

Principal Officer

Mr. Praveen Jain

Company Secretary

Auditors

M/s Gupta Vigg & Co.

Chartered Accountants

E - 61, Lower Ground Floor

Kalkaji,

New Delhi - 110019.

Internal Auditors

M/s Ernst & Young Pvt. Ltd.

Golf view Corporate Tower - B

Sector - 42, Sector Road,

Gurgaon - 122002, Haryana, India

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.

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Chairman's Message



Dear Shareholders,

Economic State of Affairs of India

The last financial year has been eventful and challenging. It marked a turnaround in performance and sentiments as we witnessed an all round deceleration in the pace of growth across all sectors. This has been a global phenomenon triggered by the fairly widespread sub prime crises of the USA. Oil and commodity prices continue to soar and economies are in the grip of a cost push inflation inevitably leading to a slow down and near recessionary conditions. This spiraling trend is likely to shift and change the geo-political equations significantly. The scenario is quite grim and calls for hasty introspection, recasting of plans and innovative thinking to preempt and counter negative impacts to stay unscathed.

The Indian economy being well integrated with the global markets could not be insulated from the same and experienced a slow down in its growth rates and expects further moderation going forward. The turbulence and high volatility in the currency and financial markets coupled with tight liquidity have only exacerbated the crisis and arrested the high growth

rates seen in the early part of the last five years. The stock markets are now in the grip of the bears and in a short span the market cap of companies have eroded by over 50 percent. Indian industry continues to grapple with the new reality and ventures ahead with cautiously bold plans with marginal scale down. In my view, cost and availability of capital will be a major challenge to sustainable growth in the coming year. The high inflationary trends in the domestic economy also do not augur well and will lead to firmer measures from the regulatory agencies.

The silver lining in all of this is the reversal in trend of the appreciating Indian Rupee which was adversely affecting exports and rendering many businesses uncompetitive while squeezing margins already under pressure from increasing commodity and oil prices. The export sector should boost its output and encash on this opportunity. The small relaxation of ECB norms by the RBI is a step in the right direction and needs to be eased further to improve accessibility of funds for continuing growth investments.

Industry in India and Hi-Tech strategy for the future

The automobile industry in India is the tenth largest in the world with an annual production of over 2 million units and shall keep up the growth levels in mid & long term. The automotive industry is the undisputed engine of growth for the industrial sector in India. The country continues to be a major hub attracting additional major investments from all leading automakers who have set up or in the process of setting up manufacturing units to exploit the cost and engineering skill advantages. The automotive industry directly and indirectly employs 13 million individuals in India. The industry is valued at about US\$ 35 billion contributing a little over 3 % of our GDP. India's cost-competitive auto components industry is the second largest in the world. In addition, India's motorcycle market is also the second largest in the world with annual sales of about 6.5 million units.



The first wave of growth was fuelled by the major urban centres and this is now likely to be reinforced with the burgeoning small towns and rural centres being linked through the rapidly developing transport network of the golden quadrilateral and the north-south, east-west corridors, making us the 2nd largest two wheeler market, the fourth largest commercial vehicle market and the 11th largest passenger car market of the world.

During the financial year under review the passenger car segment had a healthy growth rate of 14% while the overall four wheeler segment registered a growth of nearly 12% with the MCV / HCV segment going negative by 1%. The two wheeler segment of vehicles also registered a negative growth of 5% with the motorcycle segment being the bigger loser at 8.5%. It is unclear as to how the things will shape up in the coming year at the industry level, but we remain hopeful that despite such decelerations your Company will be able to grow by penetrating into new markets and acquiring new customers.

You would have noticed that our Hi-Tech Group has evolved a new design and a graphical look. The three words Passion, Innovation and Technology reflect our avowed beliefs and these are bonded by the disciplined approach that we adopt in our work culture. The seven icons are symbolic representations of our deep seated philosophies and value drivers viz. technology, people, management, commitment, partnership, global perspective and products.

In keeping with our commitment to being a good and proactive corporate citizen, your Company has embarked on a program towards a healthy clean and green environment which entails reducing energy consumption by over five percent, water conservation through recycling and effluent treatment, stricter norms for pollution control over and above the statutory prescription and all round waste reduction of resources through efficient processes and recycling. These initiatives would not only contribute to social engineering but also help improve our bottomlines.

Company Performance

Despite all the adverse built up during the financial year 2007-2008, your Company has been able to buck the trend and register a positive growth. Your Company achieved a turnover of Rs. 31622 Lac (Previous year 29,987 Lac), recording a marginal increase of 6%. Exports too registered an increase despite the INR appreciation confirming our global competitiveness, which is quite encouraging. The many operational efficiency initiatives enabled the Company to improve its EBITDA margins by 1 %. The Net Profit (After tax) of the Company correspondingly increased from Rs. 833.08 Lac to Rs. 980.65 Lac, an increase of 18 % as compared to the previous year. It is indeed heartening to see that with focused efforts and unflagging spirits, we are moving in the right direction and now only need to gather momentum.

In keeping with our philosophy of sharing the gains with our stakeholders, I am quite pleased to report that the Directors have enhanced the recommendation for final dividend to 30% i.e. Rs.3.00 per equity share as compared to 25% paid last year i.e. Rs.2.50 per equity share.

We at HGL have demonstrated a Passion to Succeed, and is being reflected in the leadership position that we continue to enjoy as an independent and reputed transmission manufacturing company of the country, this is largely due to the unstinting and relentless dedication of all members of the Hi-Tech family and am confident that this will only be surpassed in the years to come.

Before I conclude, I would like to thank all our business partners, associates and employees for their continuing belief and faith in Hi-Tech's principles, philosophy and endeavors, and being a part of Hi-Tech's growth story. I would like to assure you all that the journey will continue to be equally exciting and rewarding as we move ahead.

Deep Kapuria
Chairman & Managing Director

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Milestones



Down the years

- | | | |
|------|---|--|
| 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 System | | |
| 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 |
| | | 2008 | ACMA Export Award 2006-07 |
| | | 2008 | Setup of Pune Office |



DIRECTOR'S REPORT

Dear Members,

With great pleasure your directors presents their 22nd Annual Report of your Company together with the audited statement of accounts for the financial year ended on March 31, 2008.

Financial Results

The highlights of the financial performance of the Company are as under:

	(Rs. in lacs)	
Particulars	2007-08	2006-07
Sales	31,622.29	29,987.34
Other Income	381.61	186.85
Total Income	32,003.90	30,174.19
Profits before Depreciation,	3,862.89	3,331.89
Interest and Taxes (PBDIT)		
Depreciation	1,170.73	1,081.29
Profits before Interest and	2,692.16	2,250.60
Taxes (PBIT)		
Financial Charges	1,157.87	905.92
Cash Profit (PBDT)	2,705.02	2,425.97
Profits before Taxes (PBT)	1,534.29	1,344.68
Provision for Taxes	553.63	511.60
Profit after tax (PAT)	980.66	833.08
Balance of profit brought forward	1,667.14	1,404.64
Dividend	281.52	234.60
Tax on dividend	47.84	35.98
Transfer to General Reserve	300.00	300.00
Balance Surplus in		
P & L Account	2,018.43	1,667.14
Earnings Per Share (EPS)	10.45	8.88

Operations

The financial year 2007-2008 has ended on a challenging note. Your Company surpassed the

previous year turnover and has achieved a turnover of Rs. 31,622.29 Lac (Previous year 29,987.34 Lac), recording an increase of 5.5%. The Net Profit (After tax) of the Company has increased from Rs. 833.08 to Rs. 980.66 Lac, recording an increase of 18% as compared to the previous year.

The year under review was a tough year for the industry as a whole. Due to sharp increases in crude oil, steel prices and financial costs throughout the year, margins were under pressure because of high input costs.

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. 6,128.26 Lac as compared to Rs. 5,798.41 Lac in the previous year, registering an increase of 5.69%.

Dividend

The directors recommend to the shareholders an enhanced dividend @ 30% (i.e. Rs.3.00/- per equity share) for the year 2007-2008. Previous year your Company paid dividend @ 25% (i.e. Rs.2.50/- per equity share).

If the dividend on shares as, recommended by the Board of Directors, is approved by the shareholders in their 22nd Annual General Meeting, payment of such dividend will be made to those members whose names appear in the Register of Members as on September 22, 2008 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 11, 2008, 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 for the ECS facility are once again requested to avail the benefits of ECS.

Revaluation of Fixed Asset

During the year the Company has revalued one of its lands situated in Gurgaon, Haryana from its cost price of Rs. 1,01,69,653 to Rs. 32,74,71,300 which has been calculated as per its current market price. Revaluation has been done by an Approved Valuar. The increase of Rs. 31, 73, 01, 647 has been credited to Revaluation Reserve.

Postal Ballot

During the financial year 2007-08, no Special Resolution was required to be passed through Postal Ballot. At the forthcoming 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 Conduct for 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, the Company closes its trading window for designated employees and directors from time to time. As per policy, trading window closes for a 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 price sensitive event as per the Code of Conduct for prevention of insider trading

Code of Conduct

Your Company has adopted a 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 the Code of Conduct has been circulated to all the directors and senior Management.

The Declaration by the Chairman & Managing Director of the Company regarding 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 share capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). The Board of Directors confirms that the total issued and paid up capital as on 31st March, 2008 is reconciled 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 every quarter to the Stock Exchanges and is also placed before the Board Meeting.

Subsidiary Company

The Company had no subsidiary during the financial year 2007-08.

Listing of Shares

With a view to provide easy 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. Pursuant to Clause 38 of the Listing Agreement, the annual listing fees for the year 2008-2009 has been paid within the prescribed time period.

Dematerialisation of the equity shares

98.37% of the total equity shares of the Company are held in dematerialized form with the participants of National Securities Depository Limited (NSDL) and Central Depository Securities (India) Limited as on March 31, 2008.

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

Directors

Mr. Anuj Kapuria and Mr. Pranav Kapuria 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 continue to avail the services of the above directors due to their vast knowledge, experience and ability.

A brief profile of the directors proposed to be re-appointed and the information pursuant to Clause 49 VI (A) of the Listing Agreement is being annexed to the Notice convening the 22nd 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 Board of 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 31, 2008 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, 2008 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, 2008 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.

The Conservation of Energy, Technology Absorption, Foreign Exchange earnings and outgo.

Details of Energy Conservation, Technology Absorption, Research & Development activities undertaken by the Company and foreign exchange earnings and outgo of the Company and other information in accordance with the provisions of Section 217(1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors), Rules, 1988, are given in Annexure-II, to this Report.

Your Company continuously strives for Safety, Environment Management and conservation of resources like fuel, water, gas and power. Your company believes in vision of safety which envisages zero accident policy as the only acceptable stand