

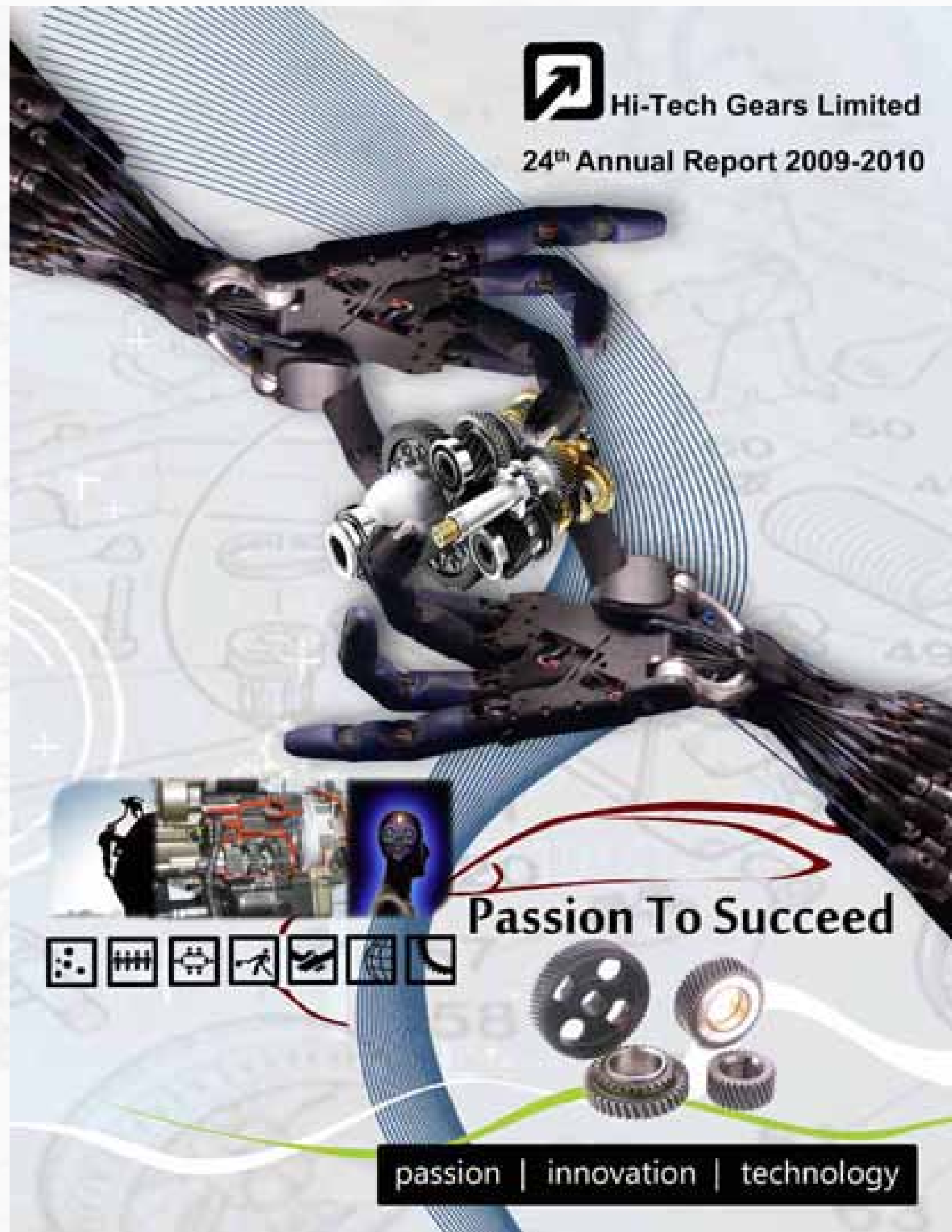
Hi-Tech Gears Limited

14th Floor, Tower-B, Unitech's Millennium Plaza, Sushant Lok-1
Sector-27, Gurgaon, Haryana-122 002
www.hitechgears.com

Designed and Printed at www.ezeepprint.com



Hi-Tech Gears Limited
24th Annual Report 2009-2010



Corporate Office

14th Floor, Tower-B,
Unitech's Millennium Plaza,
Sushant Lok-I, Sector-27,
Gurgaon,
Haryana-122002
Tel: (0124) 4715100
Fax: (0124) 2806085
Email: secretarial@hitechgears.com

Registered Office & Works

A-589, Industrial Complex,
Bhiwadi- 301019
Dist. Alwar, (Rajasthan)
Tel: (01493) 641237-39
Fax: (01493) 220512

Plant II:

Plot No. 24, 25 & 26,
Sector -7,
IMT Manesar, Gurgaon,
Haryana- 122050
Tel: (0124) 4715200
Fax: (0124) 4368025

Bankers

DBS Bank Ltd.

ICICI Bank Ltd.

Citi Bank N.A.

Standard Chartered Bank

State Bank of India

State Bank of Bikaner & Jaipur

Bank of Baroda

Yes Bank Limited

Registrar & Transfer Agent

MAS Services Limited
(Unit: Hi-Tech Gears Limited)
T-34, 2nd floor Okhla Industrial Area,
Phase-II, New Delhi-110020
Tel: (011) 26387281, 82, 83
Fax: (011) 26387384

Board of Directors

Sh. Deep Kapuria
Chairman & Managing Director

Mr. Anil Khanna
Independent Director

Mr. Sandeep Dinodia
Independent Director

Mr. P.C. Mathew
Independent Director

Mr. Vinit Taneja
Independent Director

Mr. Pranav Kapuria
Deputy Managing Director

Mr. Anuj Kapuria
Director

Senior Executives

Mr. Sandeep Verma
AVP Finance & Accounts (CFO)

Mr. Vijay Mathur
General Manager (Finance)

Principal Officer

Mr. Praveen Jain
Head Legal & Company Secretary

Statutory Auditors

M/s Gupta Vigg & Co.
Chartered Accountants
E - 61, Lower Ground Floor
Kalkaji,
New Delhi - 110019.

Internal Auditors

Ernst & Young Pvt. Ltd.
Golf view Corporate Tower - B
Sector - 42, Sector Road,
Gurgaon - 122002, Haryana (India).



Vision & Mission

Hi-Tech Gears Vision

“Be A Global Footprint Company and A Benchmark For World Class Manufacturing Systems”

Hi-Tech Gears Mission

“We will be the preferred partner in delivering engineering products and design solutions through lean philosophy with a focus on:

- Building a customer centric organization
- Rapid development of products and innovative solutions
- Ensuring cost effectiveness
- Developing competent and committed people”

CONTENTS

Chairman’s Message	2
Milestones	4
Directors’ Report	6
Management Discussion & Analysis	10
Corporate Social Responsibility	17
Corporate Governance Report	20
Auditor’s Report	33
Balance Sheet	36
Profit & Loss Account	37
Schedules to Balance Sheet and Profit & Loss Account	38
Cash Flow Statement	51
Shareholder’s Information	53
Notice	54

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, 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,

When I wrote to you last year the world was in the middle of worst global economic and financial crisis. Since then the global economic scenario improved during the year 2009-10. The triad economies remained stressed. The Chinese and Indian economies, led the world economic recovery, grew by 11.9% and 7.2 % respectively.

The year gone by, exhibited significant stabilization in the global economy and automobile sector as well, despite the global financial crisis. Although the financial markets were volatile, mainly due to uncertainty of the shape of the global recovery, the risks in the global financial markets subsided for the most of the 2009-10. The new structure and the related government-led financial packages, along with market incentives helped the industry to survive this crisis.

In passenger vehicle including car segment, India witnessed growth of 25.57% by sale of 1,949,776 units in the year under review as compared to

1,552,703 units last year in the domestic market. Similarly, Commercial vehicles sales in the year gone by was 531,395 units, as compared to 426,819 last year, registered a growth rate of 38.31% due to faster execution of major infrastructure projects in the country.

The Two-wheeler industry, in India, has also achieved healthy sales of 10,511,415 units during the 2009-2010 as compared to 8,441,793 units in 2008-09 registering a growth of 24.51%. Low excise duties, low interest rates and relatively higher disposable incomes pushed up the demand of the two wheelers.

The export of commercial vehicles registered a moderate growth rate of 5.59% by sale of 45,007 units in the year under review as compare to 42,625 last year. However, two wheeler exports has exceptionally done well and achieved the growth rate of 13.54% by sale of 1,140,184 units in 2009-2010 as compared to 1,004,174 in 2008-09.

The export of cars this year was at 441,710 units as compared to 331,535 last year, registered a healthy growth of 33.23%.

Looking ahead, we see favorable prospects for the Indian economy. Our strong domestic consumption and investment drivers will continue to support healthy rates of growth. The stimulus package of the government and the implementation of the Sixth Pay Commission, which will increase the purchasing power of public sector employee, should boost the demand. We believe the economic recovery, some signs of which are already visible, will gather momentum in the coming months and in the due course see India returning to a high growth trajectory.

The Indian economy has been able to recover faster than its peers due to the combined and timely efforts of the Government of India and Reserve Bank of India. The Indian economy

successfully emerged out of the slow down and has posted a GDP growth of 7.2% in 2009-10 with a future projection of 8.5% growth in 2010-11.

Future Outlook

With a normal monsoon during the year, the Indian economy is expected to return towards the higher growth path again with expected GDP growth of 8.5% and moderate food inflation which has been a cause of worry during the previous year.

The policies of Government of India are encouraging manufacturing sector as in India 15% of the GDP is contributed by Automobile Industry whereas in China automobile industry contributes 42% of GDP. Hence going forward, the government expects that by 2020 contribution of Automobile Industry to the India GDP should be up to 20%.

Various studies forecast a healthy future of the domestic automobile sector. They depict substantial improvement in the automobile products and markets in the coming years.

Company Performance

The financial year 2009-2010 has ended on a positive note. Your Company surpassed the previous year turnover and has achieved a net turnover of Rs. 322.69 crores (Previous year 294.77 crores), recording an increase of 9.47%. The Net Profit (After tax) of the Company has increased from Rs. 7.69 cr. to Rs.17.85 crores, recording an increase of 132.02 % as compared to the previous year.

The year under review saw increase in demand of the two wheelers and exports also picked up especially in the last two months of the last financial year. The availability of the credit and improvement in the world economy has resulted in rise in the demand of the automobiles world-

wide. During the year under review your Company has registered marginal growth in the exports of its components, recording a total export turnover of Rs. 48.89 crores as compared to Rs. 48.81 crores in the previous year.

In keeping with our philosophy of sharing the gains with our stakeholders, I am pleased to report that the Directors have made recommendation for final dividend to 45% i.e. Rs. 4.50 per equity share as compared to 15% paid last year i.e. Rs. 1.50 per equity share.

We at Hi-Tech Gears have demonstrated a passion to succeed and it is now reflected in our position. This year your company has received two prestigious awards namely "Category-A" TPM excellence award on January 28, 2010 by the JIPM (Japan Institute of Plant Management) and "Shingo Silver medallion" for the operational excellence. Shingo award recognized the highest level of operational excellence in the field of lean manufacturing. This award is one of the most prestigious recognition in the Auto Industry worldwide.

We are in the process of expanding our capacities and plant-III is under execution. It is expected that commercial production would start by end of this year. This plant would cater to the new customers of the company both domestic as well overseas also.

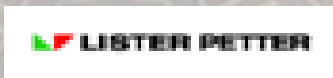
Before I conclude, I would like to thank all our business partners, associates and employees for their continuing belief and faith in Hi-Tech's principles, philosophy and endeavors, and being a part of Hi-Tech's growth story. I would like to assure you all that the journey will continue to be equally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

Deep Kapuria
Chairman & Managing Director

1986

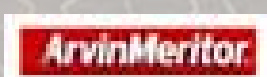
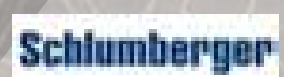
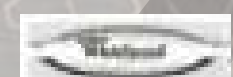
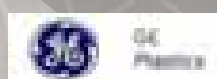
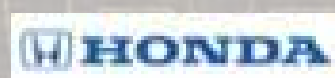
Down the years

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 Kyush 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



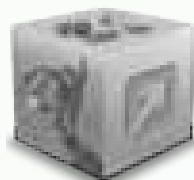
- 1999 Separate Division to handle high-end design and CAD services established, under the name of Hi-Tech eSoft.
- 2002 Launched initiative of Lean Manufacturing
- 2003 Certified for Integrated Quality Management Systems
- 2003 Certified for TS 16949
- 2003 Environment Certification ISO 4001 :
- 2003 Occupational Health & Safety Certification OHSAS 18001 : 1999
- 2004 Establishment of Hi-Tech 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 eSoft (Division of HGL) certified for ISO 9001 : 2000
- 2008 ACMA Export Award 2006-07
- 2008 Setup of Pune Office
- 2009 Excellence Award for Manufacturing and Export



- 2010 TPM Excellence Awards Category A
- 2010 Shingo Silver Medallion.

2010



DIRECTORS REPORTS

Dear Members,

With great pleasure your directors presents their 24th Annual Report of your Company together with the audited statement of accounts for the financial year ended on March 31, 2010.

Financial Results

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

Particulars	2009-2010	2008-09
	(Rs. in lacs)	
Gross Sales	34456.55	32,378.14
Other Income	86.18	129.85
Total Income	34542.73	32507.99
Profits before Depreciation, Interest and Taxes (PBDIT)	4846.94	3324.81
Depreciation	1260.72	1176.51
Profits before Interest and Taxes (PBIT)	3586.22	2148.30
Financial Charges	887.07	996.77
Cash Profit (PBDT)	3963.34	2364.42
Profits before Taxes (PBT)	2699.14	1187.91
Provision for Taxes	913.01	359.32
Profit after tax (PAT)	1785.05	769.36
Balance of profit brought forward	2238.07	2018.43
Dividend	422.28	140.76
Tax on dividend	71.76	23.92
Transfer to General Reserve	200.00	200.00
Balance Surplus in P & L Account	3276.53	2238.07
Earnings Per Share (EPS)	19.00	6.23

Operations

The financial year 2009-2010 has ended on a positive note. Your Company surpassed the previous year turnover and has achieved a gross turnover of Rs. 34456.55 Lac (Previous year 32,378.14 Lac), recording an increase of 6.41%. The Net Profit (After tax) of the Company has increased from Rs. 769.36 Lac to Rs. 1785.04 Lac, recording an increase of 132.02 % as compared to the previous year.

The year under review saw increase in demand of the two wheelers and exports also picked up specially in the last two months of the financial year. The availability of the credit and improvement in the world economy has resulted in rise in the demand of the automobiles world wide.

Exports

During the year under review your Company has shown export of its components, recording a total export turnover of Rs. 4889.20 Lac as compared to Rs. 4881.69 Lac in the previous year.

Dividend

The directors recommend to the shareholders a dividend @ 45% (i.e. Rs. 4.5/- per equity share) for the year 2009-2010. Previous year your Company paid dividend @ 15% (i.e. Rs.1.50/- per equity share).

If the dividend on shares as, recommended by the Board of Directors, is approved by the shareholders in their 24th Annual General Meeting, payment of such dividend will be made to those members whose names appear in the Register of Members as on September 27, 2010 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 16, 2010, 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.

Postal Ballot

During the financial year 2009-10, 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 reopens 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, 2010 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 2009-10.

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 2010-2011 has been paid within the prescribed time period.

Dematerialization of the equity shares

98.47% 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, 2010.

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

Directors

Mr. Sandeep Dinodia and Mr. Anuj 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 Director due to their vast knowledge, experience and ability.



Mr. Deep Kapuria was appointed as Chairman & Managing Director of the Company for a period of 5 (five) years w.e.f. 1st January 2007 to 31st December 2011, for which approval was duly accorded by the members in their 21st Annual General Meeting held on 17th September, 2007. Keeping in View the restructuring of the designation among all the working Directors of the Company, your Board of Directors has recommended for the change in the present designation of Mr. Deep Kapuria from Chairman & Managing Director to Chairman & Whole Time Director (designated as Executive Chairman) w.e.f. 05th August 2010 to 31st December 2011, in their meeting held on 24 day of July 2010, Subject to the approval of shareholders in the ensuing Annual General Meeting.

On the recommendation on Remuneration Committee, Mr. Pranav Kapuria, Deputy Managing Director of the company has been reappointed by the Board of Directors for a period of five years w.e.f. 1st August 2010 to 31st July 2015 in their meeting held on 15th May 2010 subject to the approval of the shareholders. The Board of Directors has also made change in his designation from Deputy Managing Director to Managing Director from 5th August 2010 till 31st July, 2015, subject to the approval of Shareholders. Further the Board of Directors has also appointed Mr. Anuj Kapuria as Whole Time Director designated as Executive Director w.e.f. 15th May 2010 to 14th May 2015, subject to the approval of shareholders.

Resolutions for the said appointment/reappointment/restructuring are being included in the notice for the ensuing Annual General Meeting for the approval of shareholders.

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 confirms:

(i) That the applicable accounting standards have been followed in the preparation of final accounts for the year ended March 31, 2010 and that there are no material departures.

(ii) 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, 2010 and of the profit of the Company for the year ended on that date.

(iii) 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

(iv) That the annual accounts for the year ended March 31, 2010 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 standard of performance. Therefore, emphasis is being laid on employing sophisticated techniques which result in conservation of natural resources like energy, fuel etc.

Corporate Governance

Report on Corporate Governance is attached herewith

in Annexure-III, and the certificate from the Statutory Auditors confirming the compliance of the provisions of Corporate Governance as stipulated in Clause 49 of the listing agreement with the stock exchanges is given in this report.

Management Discussion & Analysis Report

Management Discussion & Analysis Report is given separately, forming part of this report.

Trade Relations

The Board of Directors place on record their appreciation for the co-operation and valuable support extended by the customers, the suppliers and all other persons directly or indirectly associated with the Company. Your Company regards them as partners and shares with them vision of growth in the future.

Public Deposits

During the year under review your Company neither invited nor accepted any deposit within the meaning of Section 58-A of the Companies Act, 1956, and rules made there under.

Personnel

The Board of Directors place on record its appreciation for the untiring efforts made by the employees of the organisation at every level. The efforts to create a family like atmosphere continued through out the year. Like many years gone-by this year also witnessed increased cohesion among all levels of employees, which is evident from the performance of the Company. Training and Development of employees provided further impetus and have been largely responsible for the all round improved performance.

Awards and Other Recognitions

Your directors have pleasure and feel privileged in reporting the award received by the Company during 2009-2010. The Details were given in Annexure –IV.

Auditors

M/s Gupta Vigg & Company, Chartered Accountants, Statutory Auditors of the Company retire at the conclusion of the Annual General Meeting of the Company and being eligible, have offered themselves for re-appointment. The Company has received an eligibility certificate from the auditors under Section 224 (1B) of the Companies Act, 1956. The Board of Directors recommends their re-appointment.

Acknowledgement

Your directors place on record their grateful appreciation for the assistance, cooperation and support provided to the Company by Vendors, Customers, Banks & Financial Institutions like Hero Honda Motors Limited, Honda Motorcycle and Scooter Ltd., Honda Sael Cars Ltd., Honda Sael Power Products Ltd., Tata Cummins Ltd., GETRAG Corporation, GETRAG All Wheel Drive, Robert Bosch, State Bank of India, ICICI Bank Limited, Citi Bank, Standard Chartered Bank, State Bank of Bikaner and Jaipur, Bank of Baroda, DBS Bank, YES Bank for their valued support, and hope to continue to receive the same in future.

The Board of Directors also place on record their gratitude to the shareholders of the Company for their continued support to and confidence in the management of the Company.

By Order of the Board of
Hi - Tech Gears Limited

Deep Kapuria
Chairman & Managing Director

Place : New Delhi
Dated : July 24, 2010



MANAGEMENT DISCUSSION & ANALYSIS



MANAGEMENT DISCUSSION AND ANALYSIS FORMING PART OF THE DIRECTOR'S REPORT FOR THE YEAR ENDED MARCH 31, 2010.

The Economic Environment

The Year under review started with a positive note with major economies of world recovered from the financial crisis which engulfed entire world last year. Especially Economies of China, India and Brazil staged stronger recovery as compared to rest of the world. The world economy is showing signs of recovery from the serious recessionary effects which had crippled it for greater part of Financial Year 2008-09. This recovery was due to the collective efforts of G20 nations in infusing sufficient liquidity in the financial system.

The 7.2% GDP growth in the Indian economy has been impressive. This recovery is impressive due to the following three reasons:

1. Manufacturing sector growth was more than double; that is 8.9% in 2009-10 as compared to 3.2 percent in 2008-09. (source economic survey)
2. There has been increased gross fixed capital formation, which had



declined significantly in 2008-09. (Source economic survey).

3. There is also a turnaround in the merchandise export growth in the third quarter of 2009-10 which was sustained till the end of financial year under review. As a result of this India's export saw a tremendous growth of 54.1 percent during March 2010 compared to low based growth of (-) 33.1 percent in March 2009. (source FICCI survey)

Infusion of sufficient liquidity in to the economy, through various means like NREGA (National Rural Employment Guarantee Act), implementation of 6th pay commission recommendations, waiver of farmer's loans and enactment of procurement prices of farm products resulted in fast paced recovery in the manufacturing and service sector. The effectiveness of these policy measures became evident with the fast paced recovery.

Industry & Segment dynamics

Riding on the back of economic growth, easy availability of finance and the continuing fiscal stimulus, the Global auto industry has posted higher sales in the financial year 2009-2010. The strong growth is both in terms of passenger car volumes and the total vehicle sales.

In wake of the recent global financial meltdown especially in Europe, India is fast emerging as a global manufacturing hub for manufacture of small and mid size cars and two wheelers. Rapid increase in sales of small cars segment in India has prompted a number of global automobile industry companies such as Volkswagen, Honda, Toyota and Nissan, etc. to enhance their capacities for domestic as well as export markets. Not only expanding manufacturing base, automotive companies across globe are increasing component sourcing from India for their India and overseas plants.

The Domestic auto industry achieved an all time high sale of 12.2 million units in financial year 2009-10. The strong growth has been from the passenger car volumes, two wheelers and commercial vehicles. This represents a



growth of 25.48% as against 9.7 million units sold in 2008-09.

The Two- wheeler industry has shown a healthy growth of 21.9% during the period under review as compared to 13.2 % in 2008-09. Low excise duties, low interest rates and relatively higher disposable incomes pushed up the demand of the two wheelers. Hero Honda Ltd. retained its position of leader in two wheeler market.

Export Outlook

The signs of an economic recovery of exports were starting to appear. The exports were increased in line with the growth of the Indian economy. Even though exporters are buffeted by the volatility in the exchange rate and the pressure of rising raw material cost, there is an improvement in the overall export. The appreciating Indian rupee against the two major currencies USD and EURO have become concerns as it impacted their profit margins.

In Auto Component Industry, The overall Export of Automobiles in financial year 2009-10 is 1,804,619 units as compared to 1,530, 594 units in the previous year, showing an increase of 17.90 percent, In case of two wheelers 1,140,184 units were exported in the year under review as compared to 1,004,174 units last year, registering a growth of 13.54 percent. Similarly in case of passenger and commercial vehicles the growth rate is 32.88 percent and 5.58 percent respectively.

Financial Analysis

In this encouraging scenario, the Financial performance of the company has also shown an improvement. The net revenues of the Company increased to Rs.322.69 crores as compared to 294.77 crores for 2008-09, registering an increase of 9.47%. The growth was primarily driven by rise in the sales of Hero Honda and exports. The EBITDA for the same period moved up by 45.86 % to Rs.48.46 crores from Rs. 33.25 crores in the previous year and the Profit after Tax (PAT) for

the year 2009-10 was at Rs.17.85 crores as compared to Rs. 7.69 crores in the previous year thereby registering an increase of 132.02%.

The Earnings per Share (EPS) stands at Rs.19.00 per equity share in comparison to Rs. 6.23 for the previous year. Keeping in view the financial performance and availability of liquidity, the Board of Directors has recommended dividend of Rs. 4.50 per equity share (i.e. 45% of the paid share capital). The Dividend is payable subject to approval of shareholders in their forthcoming Annual General Meeting.

Risks & Outlook

Though the automobile industry has registered strong growth in the year under review, however it still faces lot of uncertainties, in the wake of Euro zone Financial Crisis. For Auto Component industry, the suppliers are facing severe capacity crunch and this is affecting the performance of OEMs. The expected interest rate hike would aggravate the situation further.

To mitigate the above risks, Your Company has got into capacity expansion and it is has decided to set up a new plant in bhiwadi. Upon its completion, this State of the art plant will help company to support its growing in business volumes. The Company however continues to strive to improve its operational performance and develop new components which are technologically superior and meeting the stringent customer standards and norm as a part of its strategy to penetrate new customers, markets and mitigate some of the risks.

Sales Performance and profile

The company has successfully navigated through the troubled times. The sales to the major customers have shown a steady rising trend in domestic and export segment. The two wheeler component sales accounted for approx. 60% of the total business and

