



Hi-Tech Gears Limited
26th Annual Report 2011-2012



passion | innovation | technology



passion to succeed

Vision

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

Mission

We will be the preferred partner in delivering engineering products and design solution 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”**

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Forward Looking Statement & Disclaimer

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 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.

Corporate Office

14th Floor, Tower – B,
Unitech's Millennium Plaza,
Sushant Lok – 1, Sector – 27,
Gurgaon,
Haryana – 122009-01
Tel : (0124)4715100,
Fax : (0124) 2806085,
Email : Secretarial@hitechgears.com

Registered Office & Works

A-589, Industrial Complex,
Bhiwadi – 301019,
Dist. Alwar, (Rajasthan),
Tel: (01493) 641237-39/641227 -29

Plant II:

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

Plant III:

SPL – 146,
Industrial Complex,
Bhiwadi – 301019,
Dist. Alwar, (Rajasthan)

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

Mr. Anil Kumar Khanna
Independent Director

Mr. Pranav Kapuria
Managing Director

Mr. Sandeep Dinodia
Independent Director

Mr. P.C.Mathew
Independent Director

Mr. Vinit Taneja
Independent Director

Mr. Anuj Kapuria
Executive Director

Mr. Ramesh Chandra Jain
Director

Mr. Prosad Dasgupta
Additional Director

Mr. Krishna Chandra Verma
Additional Director

Senior Executives

Mr. Ravindra Ojha
Joint CEO

Mr. Vijay Mathur
Sr. General Manager (Finance)

Principal Officer

Mr. S. K. Khatri
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)

MILES



- 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.



1986

Down
the
years

TONES



- 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 System
- 2004 Prototyping/ productionising Precision Components for Robert Bosch, GM, Volvo and Daimler Chrysler

BOSCH



CATERPILLAR

H HONDA

- 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
- 2009 Excellence Award for Manufacturing and Export
- 2010 TPM Excellence Awards Category A & Shingo Silver Medallion
- 2011 New State of Art "ECOFAC" Plant setup in Bhiwadi
- 2012 Award for Excellence in consistent TPM Commitment.



DAIMLER
Daimler India Commercial Vehicles Pvt. Ltd.



WABCO



2012





Chairman's Message

Dear Shareholders,

In this post silver-jubilee report, I have the pleasure to inform you that your company has done exceedingly well in many spheres during the Financial Year 2011-12, despite a very challenging environment. Firstly, it has both increased and diversified its production capacity through significant capital expenditure in both core and strategic areas to prepare for the future. Secondly, it has proved its excellence in cutting edge innovation and technology to cater to both its domestic and international clients. Most importantly, it has renewed its commitment towards green manufacturing. Today, with a Green 'ECOFAC' plant which has been awarded the Gold level of certification by the India Green Building Council, your company is one of the few industrial enterprises which has become a world-class Indian brand with a green and sustainable strategy of growth, despite an increasing volatile economic and business environment.

Global Scenario

In this era of globalization, national economies depend more and more on international factors. The year under review started in a cautious manner due to unabated headwinds faced by the EU economies and an uncertain US economic recovery. Unfortunately, the uncertainty and volatility continued throughout the year, especially in the Euro zone, which continues even to date.

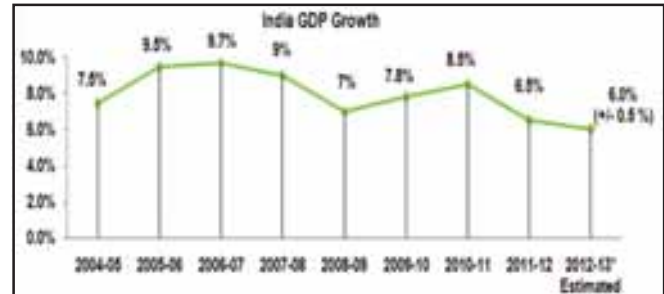
In the auto industry, as in many others, global OEMs are consolidating with Tier 1 companies to remain competitive. As a result suppliers are facing volatility in demand and a major reconstruction of supply chains are in process. Your company is a major player in the market and is thus facing challenges as well. However, your company is keeping abreast of even minute changes in the industry, and is therefore better equipped to overcome the constraints and develop measures to restrict the impact.

We are also at a geological crossroad, where our planet earth is getting warmer year after year, resulting in drastic changes in climatic conditions. This is evident even from the drought like conditions faced in most parts of our country this year. This has a direct effect on agricultural production as well as on our living conditions, which directly and indirectly shapes the economy. Today, Green Manufacturing is no more a fashionable idea, but a necessity for ensuring our own existence. Your company being a responsible corporation, is constantly setting a higher benchmark for itself, and has become an example for the industry.

The Indian Macro Economic Scenario

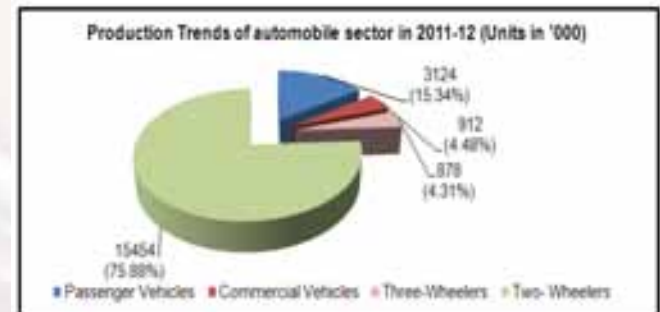
India is not isolated or insulated anymore and had to obviously feel the adverse impact of events happening in

the world's Financial, Commodity and Industrial markets. I had hinted in our last annual report about the negative impact of this on our GDP growth and each quarter of FY 2011-12 showed a steady decline, with the full year recording a growth of only 6.5 % vs 8.4 % in FY 2010-11.



The situation now is unfortunately even more alarming with GDP growth estimates for FY 2012-13 ranging from just 5.5% to 6.5%! The reasons are very many and widely discussed. It would therefore not serve any purpose to discuss all of them here in this report, except to say that what is required now from all concerned is not further analysis but positive and constructive action, with India's long term future in mind!

The Indian Auto Industry



In this volatile situation, India Inc. has a tryst with destiny to prove that it can face and overcome global headwinds by focusing on its internal and domestic strengths and capitalizing on its inherent innovative skills. Your company is also a soldier in this fight against factors slowing down growth and is working closely with stakeholders of the industry, economists, scientists, policy-makers and others, to steer the country back onto a strong growth path.

The Two-wheeler industry continues to have a high base with domestic sales of more than 13.4 million units in FY 12 and a growth of 14 %. However, the demand is now seen more and more from rural and semi-urban areas. As the rural demand is strongly impacted by the vagaries of the monsoon, growth for even the two wheeler sector is not seen at double digit levels in FY 12-13, as it was in previous years. Growth in the Heavy Vehicles segment has in fact been negative in Q1 of FY 13 which is a clear indicator of slowing industrial growth across the nation.



Future Outlook

As mentioned earlier, action has to be the key word now and only concerted action by and between all stakeholders can avoid or at least mitigate the ill effects of an impending slowdown. International regulatory standards for Green energy, products and processes should be made mandatory as stringent regulation and effective enforcement would be an opportunity for Indian industries also to build global brands.

Despite various tough measures taken by the RBI, inflation has still not come down to its targeted levels and continues to be a source of concern for both the consumer and industry. The fiscal deficit is another matter of major concern and reports / estimates indicate that it could be as high as 5.9 % in FY 13. This means that the nation's credit rating is at risk of being downgraded unless action is taken urgently to contain costs through reduction of subsidies and the restricting the oil import bill. Slowdown of FDI inflows is a direct result of these factors and the lack of positive action. The Indian Rupee has suffered as a result leading to even higher costs for imports of even essentials. The outlook therefore does not look promising at least for the short term i.e. FY 13, but there is no doubt about the fact that our nation has the ingenuity to fight back and restore its high growth trends if we all work as 'One Nation'.

Company Strategy and Results

Your company has made its mark as a leader of sustainable manufacturing. Our state-of-the-art Plant in Bhiwadi is operating to its capacity now while minimizing wastes and pollutants. This phenomenon has attracted several recognitions from the top assessing agencies, which are enumerated elsewhere in this Annual Report. Therefore, your company is today a respected name in the industry for its competitive and cutting edge products, which is a result of its farsighted strategy and policies. To summarise the financial results for the year 2011-2012, I must mention that there was significant growth in all the key areas. The net turnover of the company grew by 17 % and touched Rs. 497.48 crores. As a result of this and our enhanced operating efficiencies, the profit before tax grew even higher to Rs 62.51 crores and the profit after tax stood at Rs. 42.11 crores. The Company has shared the gains among the shareholders by declaring an interim dividend of 20%. Your Board of Directors have further reviewed the cash position of the Company and have recommended a final dividend of 25% for your approval, thus taking the total to 45% of share capital with a payout of Rs. 8.45 crores.



In conclusion, I must mention that the Hi-Tech family shares the credit for this success story with all its stakeholders, i.e. our valued customers, our supply chain partners, our employees, our bankers and the various government authorities who have supported us at every step. Our commitment to you, our valued shareholders, is to maintain our long term strategic growth path, despite any setbacks and hurdles that we may face in the short term due to the prevailing global economic scenario. I would like to take this opportunity again, on behalf of the Board of the company and its employees, to express my gratitude to you, for your continued support and encouragement year after year.

Deep Kapuria
Chairman



Managing Director's Message

Dear Shareholders,

I look forward to this opportunity to communicate with you again and give you an update on your Company's progress and growth. As they say, enduring commitment and hard work pays its dues: During the Financial Year ended 31st March, 2012, your company made significant progress both in manufacturing capability as well as its financial performance, despite an uncertain and volatile economic environment.

Macroeconomic Scenario

We are all aware of the difficult times that the Euro zone has gone through in Fiscal Year 2011-12 and how it has adversely affected not merely countries in that region but almost all developing nations across the world, by slowing down international trade and by generating a negative business sentiment across the globe. The uncertain growth scenario in the USA did not help matters and made the struggle even more difficult for developing countries such as ours.

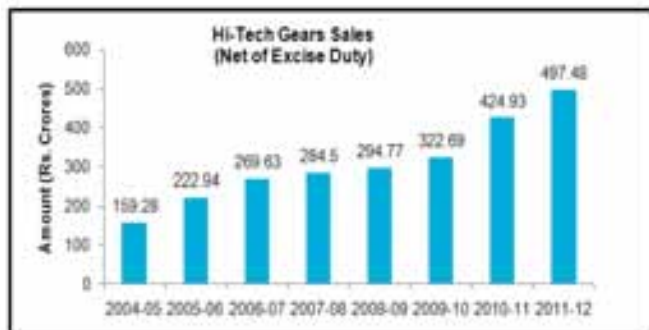
Our own actions in our multi-party democracy coupled with the absence of positive steps, led to an international downgrade of our outlook. The growing fiscal deficit, inflation and the slowdown in growth rates has now raised genuine concerns of even a downgrade to the country's credit rating. As you might have noted all these factors led to a reduction in GDP growth rates in each quarter of FY 12. Starting with a growth of 8 % in Q1, it came down to 6.1 % in Q3 and saw a further fall to just 5.3 % in Q4. This was obviously a depiction of what was happening across the board in our nation and your company was not spared either as business sentiment saw a downward spiral.

Company's performance and Outlook

Despite the above your company made good progress during the year under review recording well above average

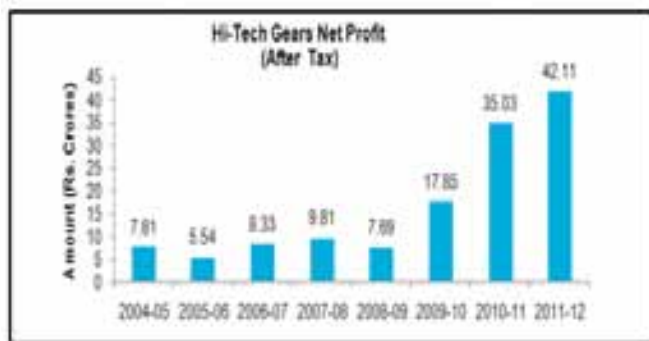


growth in both sales and profits. Your company's net turnover in FY 12 touched Rs.497.48 crores (Previous year Rs. 424.93 crores), recording an increase of 17%. The sales growth was supported by a strong growth of 41% in your company's export turnover also, despite the volatile scenario in customer geographies. This volatility is unfortunately expected to only increase in FY 13 due to various measures being taken by customers to restructure and remain competitive. Your company is however closely monitoring these developments and making concerted efforts at business development to compensate for and overcome these factors.



The Net Profit (After tax) of the Company in the period under review, increased from Rs. 35.04 crores to Rs. 42.11 crores, recording an increase of 20.21 % as compared to the previous year.

HGL believes in sharing the gains with its stakeholders and paid interim dividend of 20% during the period under review. Satisfied with the performance of the Company I am pleased to report that the Board of Directors have further recommended a final dividend of 25% i.e. Rs. 2.50 per equity share subject to the your approval at the ensuing Annual General Meeting resulting in a total dividend payout of Rs. 8.45 crores for the year.



Your company's credible performance during the year under review was not restricted to merely its sales and profitability. Strategic investments in capital expenditure were also made by your company keeping the future in mind. The capital expenditure of Rs 65.81 crores made during the year was the highest since inception and has significantly improved not only your company's production capacity but also enabled it to diversify into strategic areas which will be invaluable in the future.

As a part of these strategic investments, your company now has a Green ECOFAC plant which has been awarded the Gold level of certification by the Indian Green Building Council. This has been highly appreciated not only by the concerned authorities but also by customers and will become a model for future sustainable manufacturing growth.

Your company's valuable and esteemed customers have expressed appreciation not only for the above notable achievement but also have recognized our services and quality by bestowing awards upon us for being a preferred supplier. I am proud to inform you that Cummins, the renowned manufacturer of industrial engines and power generation equipment conferred upon your company an 'Award for Superior Quality'. Similarly, JCB India, the very well known manufacturer of construction & agricultural equipment has also recognised your company with the Best Supplier – Quality award. These are of great significance and value to us as they reflect our commitment to quality and customer focus.

My sincere thanks to all our customers, our supply chain partners, our bankers, the members of our Board of Directors and all the government authorities who have guided and supported us through this volatile period. Your company, with its commitment to excellence and its committed employees is determined to pass through the current turbulent period in both the global and domestic scenarios and we seek the continued support of all our stakeholders in this earnest endeavor.

Pranav Kapuria
Managing Director



DIRECTORS' REPORT

Dear Members,

Your Directors have great pleasure in presenting the 26th Annual Report of your Company, together with the audited statement of accounts for the financial year ended 31st March, 2012.

Financial Results

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

(Rs.in lacs)

Particulars	2011-2012	2010-2011
Sales (net of excise duty)	49748.43	42493.15
Other Income	349.79	246.38
Total Income	50098.22	42739.53
Profit before Depreciation, Interest & Taxes (PBDIT)	8974.87	7641.06
Depreciation	1982.28	1618.71
Profit before Interest & Taxes (PBIT)	6992.59	6022.35
Financial Charges	741.40	756.16
Earning before Taxes (PBT)	6251.19	5266.19
Provision for Taxes	2039.78	1762.72
Profit after tax (PAT)	4211.41	3503.47
Balance of profit brought forward	5456.41	3276.53
Balance available for appropriation	9667.82	6780.00
Dividend	844.56	750.72
Tax on dividend	137.01	122.87
Transfer to General Reserve	450.00	400.00
Balance Surplus in P & L Account	8186.25	5456.41
Paid-up Equity Share Capital	1876.80	1876.80
Earnings Per Share (EPS)	22.44	18.67

Operations

The year gone by proved to be an another successful year for the performance of your company and remained good for exports. The revenues of the Company (net of excise duty) increased to Rs. 49748.43 lacs in 2011-12 as compared to Rs. 42493.15 lacs in 2010-11, thus registering an impressive increase of 17.07 %.

The Indian automobile industry grew by almost 14% as compared to 27% in the previous year due to the low demand in domestic market. Demand for cars including low end hatchbacks fell for the first time in three years. Sales in commercial vehicles were moderate & in three wheeler segment, negative growth was noted. Two wheeler remain the star performer with a share of 77% in total automobile sale. The growth of the Company is better compare to market conditions. The Net Profit (after tax) of the Company has increased from Rs. 3503.47 lacs to Rs. 4211.41 lacs, recording an increase of 20.21% as compared to the previous year.

The year under review saw an increase in demand for the company's products in both the domestic and exports markets.

Exports

The Export Sales were the most encouraging during the year under review. The automobile Industry was able to post almost 25% increase by exporting 2.91 million units. Your Company also recorded a total export turnover of Rs. 127.45 crores as compared to export sales of Rs. 90.02 crores in the previous year, thus registering an increase of 41%. The higher exports were made possible because your company penetrated the European and Latin American markets also in addition to US market. The Customers in those countries recognized & accepted the quality of products offered by the Company to their satisfaction.

Dividend

During the year, an interim dividend of 20 % i.e. Rs. 2.0 per equity share amounting to Rs. 375.36 lacs was declared and paid the same is being confirmed at the forthcoming AGM. The Directors have now recommend to the shareholders a final dividend of 25% i.e. Rs. 2.50 per equity share subject to the approval of the shareholders at the ensuing Annual General Meeting resulting in a payout of Rs. 469.20 lacs. The total dividend payout stands at Rs 844.56 Lacs (Previous year Rs 750.72 Lacs) & tax on dividend comes to Rs 137.01 Lacs (Previous year 122.87 Lacs)

If the dividend on the shares as, recommended by the Board of Directors, is approved by the shareholders in their 26th Annual General Meeting, payment of such dividend will be made to those members whose names appear in the Register of Members as per the book closure dates mention in the shareholders information.

In addition to above the Board proposes to transfer an amount of Rs 45,000,000/- to General Reserve in compliance to the requirements of Section 205(2A) of the Companies Act, 1956.

Electronic Clearing Services (ECS)

As per the circular issued by Securities & Exchange Board of India (SEBI), 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 opportunity 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 kindly note that their bank account details as furnished to their