HI - TECH GEARS LTD.

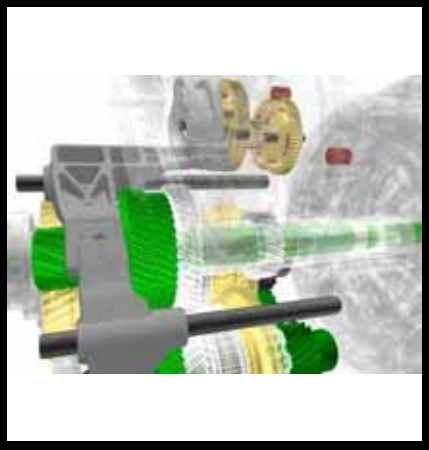
27th Annual Report 2012-2013

Engineering Convergence.....

Solutions for a lean world



Robotics



Engineering



Manufacturing

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"

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.

Sources of information: we have consulted RBI, SIAM, ACMA, industry associations, fellow industry members, Industry Journals and various ministries sites for the information set in this Report. We have tried, wherever possible, to identify and authenticate the such information, however we undertake no obligation for its correctness and its updates.

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Corporate Office

14th Floor, Tower – B,
Unitech's Miilennium 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

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

Cost Auditors

M/s Kabra & Associates
Cost Accountants
552/1B, Arjun Street Main Vishwas Road,
Vishwas Nagar Delhi-110032

Board of Directors

Mr. Deep Kapuria
Executive Chairman

Mr. Anil Kumar Khanna
Independent Director

Mr. Sandeep Dinodia
Independent Director

Mr. P.C.Mathew
Independent Director

Mr. Vinit Taneja
Independent Director

Mr. Ramesh Chandra Jain
Director

Mr. Krishan Chandra Verma
Independent Director

Mr. Prosad Dasgupta
Independent Director

Mr. Pranav Kapuria
Managing Director

Mr. Anuj Kapuria
Executive Director

Senior Executive

Mr. Vijay Mathur
Sr. General Manager (Finance)

Mr. S. K. Khatri
Company Secretary

Statutory Auditors

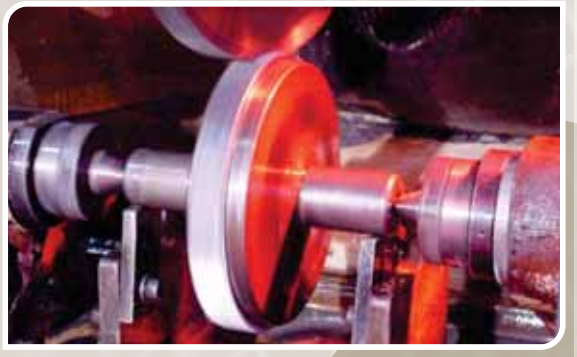
M/s Gupta Vigg & Co.
Chartered Accountants
E – 61, Lower Ground Floor,
Kalkaji, New Delhi – 110019.

Internal Auditors

Deloitte Haskins & Sells
7th Floor, Building 10, Tower B
DLF Cyber City Complex
DLF City Phase-II
Gurgaon-122002, Haryana (India)

MILESTONES









1986	Incorporated as a Public Limited Company
1988	Production commercement: single surce 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 Sourse 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 Expert Award 2006-07
2008	Setup of Pune Office
2009	Excellence Award for Manufacturing and Export
2010	TPM Excellence Awards Categery A & Shingo Silver Medallion
2011	New State of Art “ECOFAC” Plant setup in Bhiwadi
2012	Award for Excellence in consistent TPM Commitment.
2013	ACMA Export Award

1986 Down the years 2013

Hero

Cummins | DAIMLER Daimler India Commercial Vehicles Pvt. Ltd. | CATERPILLAR®

LISTER PETTER | MWM MOTORES BRASIL | FIAT INDUSTRIAL | NEW HOLLAND AGRICULTURE

TATA | JCB | WABCO

Pentair | HONDA | CNH

BOSCH | ESCORTS | DHB COMPONENTES AUTOMOTIVOS

PIAGGIO | KOMATSU | TAFE

Mahindra Rise. | AMW BUILT TO WIN | Whirlpool





Chairman's Message



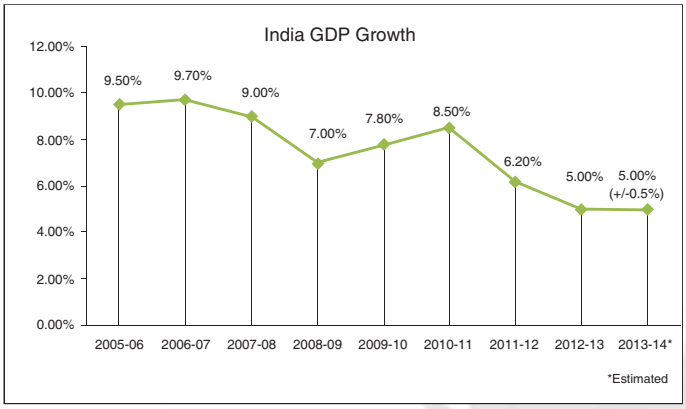
Dear Shareholders,

As I write my message to you this year, the economic environment seems to be changing almost on a daily basis and the emerging markets seem to be bearing the brunt of the volatility. Your company has however tried to maintain a fine balance by lowering financial risks in such times of economic turmoil, while maintaining the hi-tech quality products, which has always been the hallmark of your company.

Global and Domestic Scenario

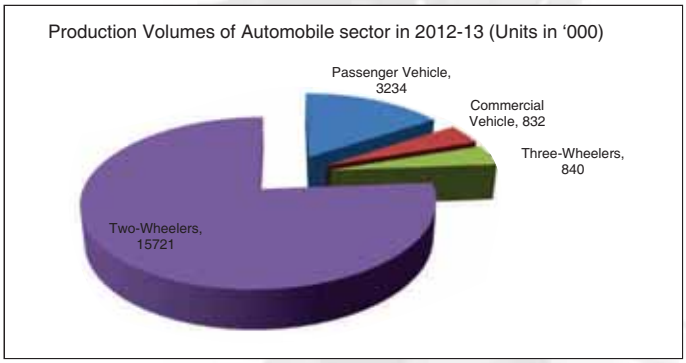
The year under review has been difficult not only for private enterprises but also for Nations at large in terms of controlling their sovereign debt and fiscal deficits. The latter also contributed to the very low growth of markets and opportunities. If the USA is showing slight signs of improvement, Europe is yet to recover. Together these two developed blocks, which account for the majority of Indian export, have impacted India adversely. The exports for the year 2012-2013 have dipped by US $ 6Bn from the previous year and it stood at US $ 301 Bn due to decline in global export demand.

On the domestic front, the National GDP growth reached a decadal low of 5%. Even though the Government took certain reform measures in the last one year, a large number of reforms and key legislation are still awaited and these are now badly required to revive industry and improve the nation's outlook and sentiment. Strong measures to curtail the Country's Current Account Deficit are also urgently required as it is weakening the INR significantly and the worst may be yet to come. The adverse impact of the weakening Rupee on inflation is another serious concern.



The Indian Auto Industry

The Auto Industry, one of India's fastest growing sectors is now facing negative growth, as in Q1 of FY 13-14 due to the current economic conditions. The overall sales growth of the Indian automobile sector was just 1.2% in 2012-13. The Two-wheeler industry sales grew at a meager 1.9 % and the commercial vehicles segment registered a sales decline of 27 % in 2012-13. As the sales of commercial vehicles is a clear indicator of industrial and commercial activity, the significant decline is a matter of serious concern.



The Indian Automobile Market and Our Future Outlook

India is now waiting for a second curve of growth. However, the enablers of growth in the competitive market are varied and dependant on different stakeholders. In addition to the global slowdown, India is also facing inflationary pressures as mentioned earlier and a large number of reforms are now overdue.

The GDP growth and private spending in the conventional export markets for India are minimal. Over and above that some countries are adopting 'protectionist policies', to safeguard their domestic interest.

The Indian automobile industry is therefore undergoing a very challenging phase due to the abovementioned reasons. This is bound to affect the auto-component industry also. The industry is contributing substantially to Indian GDP and needs to be nurtured and supported to return to its earlier growth levels.

The Industry exports to more than 100 countries. Exports have been growing at 16% per annum over the past 5 years and currently account for 20% of the industry. Exports to Europe and North America make up 60% of total exports, with Asia accounting for 28%. In spite of declining exports your company stands out as a global manufacturer, and hopes to regain its share as soon as the winds of change hit our traditional markets while we are also making significant efforts to diversify our customer base.

Company Strategy

The financial year 2012-13 has ended on a challenging note. The company suffered a decline in its turnover and profits. The turnover was Rs. 373.38 crores compared to Rs. 497.48 crores in the previous year. The company's export turnover suffered a serious decline of 52.92% during the year.

As a result of the decline in sales turnover, the profit before tax was down to Rs. 23.64 crores and profit after tax stood at Rs. 16.22 crores. Your company has taken and is taking various significant steps to step up its customer base and increase sales but this process is likely to take a year or two in view of the long qualification and approval process in the auto sector. All efforts are being made to revive export sales also and large orders are expected to be signed during FY 13-14 for shipment in subsequent years. All possible steps are also being taken within the organization to maintain and further improve operating standards and achieve excellence at every step.

As part of our strategy, the company continues to give special attention to maintaining a strong Balance Sheet and healthy Balance Sheet ratios, as you will see in the attached audited statements.

We at Hi-Tech Gears have always followed the philosophy of sharing the gains with our shareholders and we continue to do this even in these difficult times. A final dividend of Rs. 1.50 per equity share is recommended by the Board of Directors, in addition to the interim dividend of Rs. 1.00 per equity shares for the year 2012-13.

Today HGL is a highly respected name in the industry for its competitive and cutting-edge products. Hi-Tech family shares the credit of this success story with all its employees for their relentless hard work and contribution to make HGL a company with global reach and a strong foundation.

Before I conclude, I would like to thank all our business partners for their continued support and belief in Hi-Tech's endevours, and for being an active part of Hi-Tech's life. I offer my sincere gratitude to my board colleagues for their wise guidance from time to time. I am sure that we will pass through these challenging times with many learnings and the journey will be more rewarding as we move ahead.

Deep Kapuria
Chairman

Managing Director's Message



Dear Shareholders,

The 27th Annual Report of your Company, provides me with an opportunity again to update you on the affairs of the company, which I feel is essential especially in today's context when volatility has become the theme of the day and is impacting every aspect of our lives, whether personal or corporate, domestic or global. To understand this impact better, it will be essential to first get a proper understanding of the macro-economic scenario.

Macro Economic Scenario

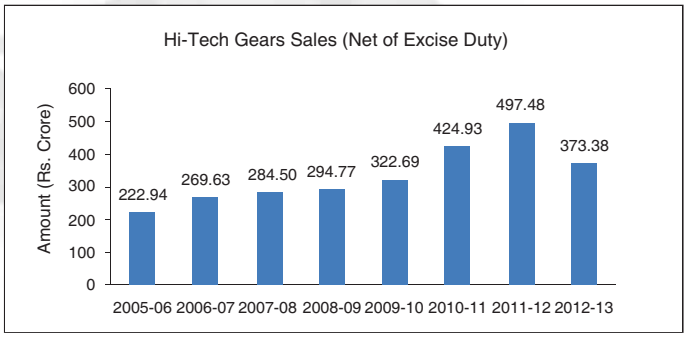
The World economy, including both the developed economies and the emerging markets, are yet to come to terms with the volatility that is reigning over market conditions since 2008. Despite maintaining comparatively better growth rates in the initial years after the global financial crisis, India now seems to be impacted seriously by global adversities. The deteriorating domestic fiscal condition is making matters worse and creating an additional layer of challenges for Indian Industry.

During the year under review the GDP growth declined almost every quarter and the last two quarters showed a growth of just 4.7% and 4.8%. As a result GDP growth for the year was restricted to just 5%, which was the lowest for almost a decade. The nation's already volatile economic situation was worsened when exports started to dwindle, foreign direct investment dropped, and the rupee started weakening due to the steady buildup of the current account deficit and sticky inflation at home.

The Current Account Deficit of USD 88 Billion for FY 12-13 has become a serious threat to the national economy and the Indian Rupee as talks about ratings downgrades become louder and make matters worse. The Governments attempts to bring down the Current Account Deficit to around USD 70 Billion will therefore be critical to the health of the nation. On the other front, FDI, which has been helpful for a wide spectrum of opportunities, have also declined to US $ 36.90 Bn in FY 2012-13 compared to US $ 46.60 Bn in previous year.

Your Company's Performance

In a globally connected economy, all businesses are exposed to unfathomable risks posed by all the abovementioned factors. Unfortunately, in spite of our tireless efforts, some of those factors influenced the results of the period under review. The sales turnover for the period came down to Rs. 373.38 crores from Rs. 497.48 crores in the prior year. The profit before tax for year 2012-2013 was at Rs. 23.64 crores and profit after tax stood at 16.22 crores.



The threat posed by domestic-policy uncertainty, the worldwide industrial slowdown and rising international crude prices became real dangers by the end of FY 2012 and affected us seriously in FY 2013. However, I am glad to inform

you that your Company's Balance Sheet remains strong and healthy and all Balance Sheet ratios such as our Current Ratio and our Debt / Equity ratio continue to be commendable.

Therefore, recognising the importance of sharing the gains with the shareholders who have placed their trust in the Company at all times, an amount of Rs. 4.69 Crores is being paid out by way of dividends, in the following manner for the year 2012-13:

Interim dividend of Rs.1.00 per equity shares; and final dividend of Rs. 1.50 per equity share

We at Hi-Tech Gears have set ourselves the mission to achieve 'Holistic & Sustainable Growth' and contribute responsibly to industrial growth. Hence, we are adopting new strategies, including both 'organic growth and a step up growth approach'. We are also launching a new approach to both retain current customers and develop new customers in the domestic and export markets. The renewed action is yielding good response from our existing and potential customers. We are determined and are working resiliently to regain the lost numbers at the earliest. Though this could take a year or two in our auto component industry due to the long qualification and approval process, we are confident that our sustained efforts will yield positive results in the years to come.

I am glad to inform you that your Company received the ACMA 'Award for Excellence in Exports' for its commendable performance in the previous year. I also have the pleasure to inform you that your company was honored with the 'Best Supplier Award' from New Holland Agriculture and also won the 'Best Quality, Delivery and Productivity Award' from Navistar. These recognitions from our customers and Industry champions are the actual testimony of your Company's business strength and capability.

The Indian Green Building Council (IGBC), 'Gold Award' has been conferred to HGL Plant-III. The Company has attained the Green Building Standard for the Gold level of certification under the IGBC green factory building rating system. The building bears the world-class “ECOFAC Plant” complying to the features required for safety, energy & water conservation, waste management etc.

As part of its commitment to Corporate Social Responsibility and its contribution to Industrial Growth and Research in the country, your Company contributed a sum of Rs. 50.00 lacs to Global Innovation & Technology Alliance (GITA) during the year under review also. GITA has been jointly promoted by the CII and the Government of India. This platform offers the opportunity to Indian Industry to internally calibrate its innovation and competitiveness while forging alliances with other countries for creating a world-class research and innovation system.

I would like to take this opportunity to thank all our stakeholders including our customers, vendors and our bankers, and would solicit their renewed and continued support in the years to come. May I also express my gratitude to the Board members for their valued guidance and my thanks to my colleagues at all levels for their support especially during these days of volatility and economic turmoil.

Pranav Kapuria
Managing Director

DIRECTORS' REPORT

Dear Members,

Your Directors have great pleasure in presenting the 27th Annual Report of your Company, together with the audited statement of accounts for the financial year ended 31st March, 2013.

Financial Results

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

(Rs. in lacs)

Particulars	2012-2013	2011-2012
Sales (net of excise duty)	37337.83	49748.43
Other Income	200.14	354.59
Total Income	37537.98	50103.02
Profit before Depreciation, Interest & Taxes (PBDIT)	5441.63	8974.87
Depreciation	2315.87	1982.28
Profit before Interest & Taxes (PBIT)	3125.76	6992.59
Financial Charges	761.81	741.40
Earning before Taxes (PBT)	2363.95	6251.19
Provision for Taxes	742.60	2039.78
Profit after tax (PAT)	1621.35	4211.41
Balance of profit brought forward	8186.25	5456.41
Balance available for appropriation	9807.60	9667.82
Dividend	469.20	844.56
Tax on dividend	78.29	137.01
Transfer to General Reserve	180.00	450.00
Balance Surplus in P & L Account	9030.11	8186.25
Paid-up Equity Share Capital	1876.80	1876.80
Earnings Per Share (EPS)	8.64	22.44

Operations

Indian economy slumped to around 5% in 2012-13. This growth is the lowest in whole decade due to many fold reasons. Some of them are touched upon elsewhere in the Report. Among all the constituents of GDP, industrial sector was most affected. It rose only by around 1.2%, and raised fresh Concerns. The automobile sector, which is considered as the sunrise sector of the Indian economy and witnessed tremendous growth upto recent past, was able to just survive to the previous year numbers, in term of production & domestic sales. Exports in automobile even registered de-growth of (1.34) %.

Auto component segment also behaved in the same manner. The volumes and profitability of auto component manufacturers recorded much lower compared to previous year. It is expected to remain weak even in current first half of the year. Various measures taken by Government will help in improving the Indian automobile sector in second half, beside the economy.

Your company is not an exception to the current slowdown; the previous year was a challenging year and saw a decrease in demand in both the domestic and exports markets. The revenues of the Company (net of excise duty) decrease to Rs. 373.38 crores in 2012-13 as compared to Rs. 497.48 crores in 2011-12, thus registering an decrease of (24.95) %. The Net Profit (after tax) of the Company has decreased from Rs. 42.12 crores to Rs. 16.22 crores, as compared to the previous year. Surplus available in P&L account stood at Rs. 90.30 crores, compare to Rs. 81.86 crores in previous year.

The Export Sales were also lower during the year under review. Your Company recorded a total export turnover of Rs. 60.00 crores as compared to export sales of Rs. 127.45 crores in the previous year,

The Company is taking necessary steps in positive directions to increase the sales and profitability of the Company, the fruits of which will only be visible in coming period.

Dividend

Considering the performance of the Company, an interim dividend of 10 % i.e. Rs. 1.0 per equity share amounting to Rs. 187.68 lacs was declared and paid, the same is being confirmed at the forthcoming AGM. The Directors have now recommended to the shareholders a final dividend of 15% i.e. Rs. 1.50 per equity share, resulting in a payout of Rs. 281.52 lacs. The total dividend payout stands at Rs 469.20 Lacs (Previous year Rs 844.56 Lacs) & tax on dividend comes to Rs 78.29 Lacs (Previous year 137.01 Lacs).

If the dividend on the shares as, recommended by the Board of Directors, is approved by the shareholders in their 27th Annual General Meeting, payment of such dividend will be made to those members whose names appear in the Register of Members as per Book closure dates mentioned in the shareholder's information.

In addition to above, the Board proposes to transfer an amount of Rs. 1.80 crore 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 depositories will be taken for the purpose of ECS and the Company. Shareholders who wish to change their bank account details are therefore requested to advise their depository's participants about such changes.

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