passion to succeed

passion | innovation | technology

THE HI-TECH GEARS LTD.

30th Annual Report 2015-2016

ENGINEERING
CONVERGENCE
SOLUTIONS FOR
A LEAN WORLD

• ENGINEERING | • MANUFACTURING | • ROBOTICS

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Unitech's Millennium Plaza,
Sushant Lok – 1, 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) 665000/641227

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
ICICI Bank Ltd.
Citi Bank N.A.
Standard Chartered Bank
State Bank of India
State Bank of Bikaner & Jaipur

Registrar & Transfer Agent
MAS Services Limited
(Unit: The 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

Secretarial Auditor
M/s Grover Ahuja & Associates
Company Secretaries
8/33, 3rd Floor, Satbhrava School Marg,
W.E.A., Karol Bagh, New Delhi – 110005
Tel: +91 11 42773662, 45091596

Board of Directors
Mr. Deep Kapuria
Executive Chairman

Mr. Anil Kumar Khanna
Independent Director

Mr. Sandeep Dinodia
Independent Director

Mr. Pranav Kapuria
Managing Director

Mr. Prosad Dasgupta
Independent Director

Mr. Bidadi Anjani Kumar
Director

Mr. Vinit Taneja
Independent Director

Mr. Krishan Chandra Verma
Independent Director

Mr. Ramesh Chandra Jain
Director

Ms. Malini Sud
Independent Director

Mr. Anuj Kapuria
Executive Director

Key Managerial Personnel
Mr. S. K. Khatri
Company Secretary

Senior Executive
Mr. Vijay Mathur,
Sr. General Manager (Finance)

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

Internal Auditors
M/s Grant Thornton India, LLP
21st Floor, DLF Square
Jacaranda Marg, DLF Phase II
Gurgaon-122002
India

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 authorities, ministries & institutions 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.

Contents

CUSTOMERS

Hero

DAIMLER
Daimler India Commercial Vehicles Pvt. Ltd.

MAGNA
MAGNA POWERTRAIN

Cummins

CATERPILLAR®

TATA

MOTORES
MWM
BRASIL

JCB

WABCO

NEW HOLLAND
AGRICULTURE

Pentair

CNH

TRIUMPH

ESCORTS

TAFE

SHAKTIMAN®
MAKING AGRICULTURE MORE ECONOMICAL

Mahindra
Rise.

GREAVES
SINCE 1859

AMW
BUILT TO WIN

Whirlpool

SONALIKA
INTERNATIONAL

THE HI-TECH GEARS LTD.
(formerly known as Hi-Tech Gears Ltd.)

MILESTONES 1986 Down the years 2016

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	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 & 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
2014	ACMA Export Award (Large Category)
2015	Name of the Company change to "The Hi-Tech Gears Ltd."

Chairman's Message

Dear Shareholders,

I am pleased to write this communication to you in the 30th year of the Company. In this journey of three decades, the Company has faced many challenges, each bigger than the other. It is through our journey of challenges and our pursuit of excellence that we have grown into a larger and stronger organisation year on year. Our ongoing pursuit of excellence has been accompanied with learning and continuous improvement, both critical to Quality becoming a way of life. The three pillars which guide us in our journey towards quality excellence are continuous improvement in technology, training and sustainability.

Global and Domestic Economic Affairs

Today's era of globalization is characterised by an increasing dependence of domestic economies *on international* factors. With EU facing unabated headwinds and US clocking in lower than expected economic recovery, the year under review started on a cautious note. Stumbling global economies amid weak aggregate demand, falling commodity prices and increasing financial market volatility in major economies were among the main cause for concern. A serious crisis in the Middle Eastern countries and an economic slowdown in China further added to the woes of the global economy.

Unfortunately, global uncertainty and volatility continued through the year. The global economy which grew at less than 3.1per cent in 2015 is expected to grow at 3.2 per cent in 2016. This flat or downward international trend is a result of several factors. Global recovery is expected to remain moderate to uneven over the next few years. While developed economies, including the US, are expected to strengthen aided by lower oil & input costs and low interest rates, most emerging economies are expected to slow down moderately, due to country specific reasons, however India seems to be an exception.

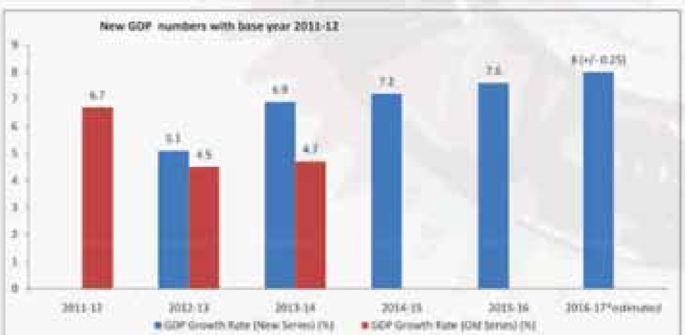
Britain's exit from the European Union (Brexit) is projected to make an impact on the global economy. Going forward, if it undermines the confidence of the European Uniion, Brexit is likely to have a strong spill over effect. Together with a fall in the Euro, this is likely to add to the pressures on private and public finances, especially in countries where debt remains high. This risk would compound the ongoing political tensions of the European Union that are a result of the large refugee inflows and ongoing financial efforts to stabilise Greece. I believe that in the short run Brexit will not have a significant negative impact on the Indian Economy. However, over the medium term India's exports volumes will be determined by the severity of the slowdown in Europe, UK and its impact on the exchange rate.

Nevertheless, conditions relating to finance availability, an increasingly neutral fiscal policy in the Euro area, lower fuel prices globally, improved labour and input markets will together push growth over the next few years. In view of this environment, which is expected to be further supported by generally less restrictive fiscal and accommodative monetary stances worldwide, global growth is expected to strengthen to 3.7 per cent in 2017.

The Indian economy that has successfully faced many challenges in the past, is currently on a growth trajectory on the back of committed policies, a stable government and a new found optimism. Consumer and investor sentiments are showing signs of improvement. In the previous years, the economy faced tough times with issues such as low growth rates, high levels of inflation, high fuel & capital costs and a widening current account deficit; escalated by an unsupportive external environment. Growth seems to be on track, accompanied with the desirable mild inflation, a manageable current account balance on the back of a stable rupee and rising foreign exchange reserves, signalling the much awaited improvements in the macro-economy.

Today India is the seventh-largest economy in the world measured by nominal GDP and the third-largest by purchasing power parity (PPP). Classified as a newly industrialised country, India is amongst the major G-20 economies. A member of BRICS India replaced People's Republic of China as the world's fastest growing major economy in the last quarter of 2014. India is a fast developing economy having clocked in an average growth rate of over 7 per cent over the last few years.

India's long-term growth prospects remain positive given its young population, corresponding low dependency ratio, healthy savings and investment rates, and an increasing integration into the global economy. India has the potential to become the world's 3rd-largest economy by the next decade. The International Monetary Fund has termed India as the "bright spot" in the global landscape, reiterating the country's short term growth outlook. With the economy having grown at 7.6 per cent in 2015-16 and expected to grow at 8.0 per cent +/-0.25 per cent in 2016-17, India for the first time topped the World Bank's growth outlook for 2015-16.



It was for the first time that the two major contributors to the GDP, i.e. the Manufacturing and Services sector grew almost at the same rate i.e. approx. 9 per cent. Due to less than normal rainfall, the agriculture sector grew by a mere 1.2 per cent. On a cumulative basis, the IIP growth during 2015-16 was 2.4 per cent, as compared to 2.8 per cent during 2014-15. The country's Foreign Exchange Reserves stood at USD 360.20 billion at end of March 2016.

The IMF has retained India's growth potential at 7.8 per cent and maintains that this growth trend will continue to be driven by private consumption, lower energy and fuel prices and higher real incomes. The IMF also states that "With the revival of sentiment and pickup in industrial activity, a recovery of private investment is expected to further strengthen growth."

A comfortable level of Current Account Deficit (CAD) has also brought cheer to the economy. After high and near unsustainable CAD levels between 2011-12 to 2013-14, India's balance of payments situation since has improved considerably. The recent weakness in external demand has marginally affected exports. Nevertheless, CAD as a proportion of GDP has remained at comfortable levels in 2014-15 & 2015-16.

With the Parliament passing the relevant Constitution Amendment Bill, India moved a major step closer towards a unified goods and services tax regime across the country. This move is seen as the most radical indirect tax reform since India's independence. I have always maintained that GST will help faster and cheaper movement of goods across the country with a uniform taxation structure. This is a critical step towards creating a single market and will also make a positive impact of about 1 to1.5 per cent on the GDP.

GST's successful implementation would give a strong signal to foreign investors about our ability to support business. It will also enable wide ranging changes in the tax structure leading to long term positive effects on the economy.

Numerous Indian and foreign companies are setting up their facilities in India on account of various government initiatives like 'Make in India' and 'Digital India'. These initiatives are expected to boost the contribution of the manufacturing sector to the GDP from the current 15 per cent to 25 per cent. These initiatives are also expected to increase the purchasing power of an average Indian consumer, which would further boost demand, lead to creation of digital infrastructure and hence spur development, in addition to benefiting investors.

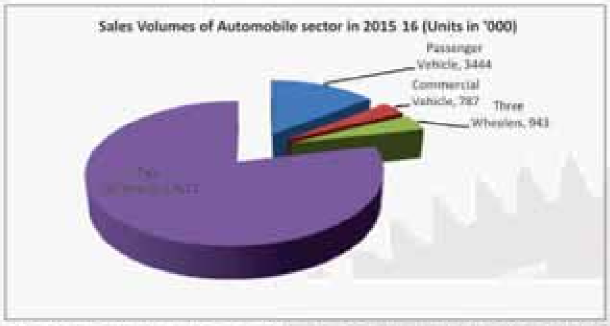
Indian Automobile Market and our Future Outlook

It is very heartening that the Indian automobile industry, notching domestic sales of over 20 million vehicles for the first time ever, crossed an important milestone this year. Export sales also recorded an increase to 3.64 million vehicles. Automotive industry is truly an engine of growth for the Indian economy. The automotive industry accounts (both auto and auto compoents)for 45% of the country's manufacturing gross domestic product (GDP), 7.1% of the country's GDP and employs about 20 Million people both directly and indirectly.

The industry has recorded satisfactory volume growth, based on a strong base from previous years. The rise in demand is led by various underlying factors including India's rising per capita income, increasing rural demand, growing urbanisaiton, increase of replacement demand amongst others.

The industry includes passenger vehicles, light and heavy commercial vehicles and two wheelers, as well as productivity machinery such as tractors. India manufactured and assembled about 23.96 million vehicles in comparison to 23.36 million vehicles in the previous year, recording a marginal but steady growth of 2.58 per cent. Similarly, at 3.42 million the production of total passenger vehicles (PV) recorded a growth of 5.97 per cent. Total PV sales (including exports) stood at 3.44 million vehicles with a growth of 6.86 per cent.

The sales of Two Wheelers stood at 18.94 million against 18.46 million units in previous year, thereby registering a growth of 2.73 per cent. Commercial vehicles, said to be the back bone of the economy, were the highlight of the sector. Total sales at 0.78 million grew by 12.18 per cent . Of total production, tractors accounted for a considerable percentage. India, accounting for 29 per cent of the world's tractor production, is the world's largest producer of and the largest market for tractors.



The Indian automobile market made its mark in the world by manufacturing quality products at competitive prices. The Automobile & Auto Component sectors go hand in hand. The Indian auto component industry is amongst the country's rising industries, with tremendous growth prospects. From a low-key supplier providing components exclusively to the domestic market, the industry has emerged as one of the key auto component centers in Asia. Seen as a significant player in the global automotive supply chain, India is a supplier of a range of high-value and critical automobile components to most global automobile manufacturers. The high quality, low priced engine parts, transmission parts, brake systems and other components made in India are amongst the worlds' favourite. A major contributor to achieving this status is also the technology support extended by India's auto component companies to the automotive manufacturers.

Globally the auto component industry is evolving very fast. The component industry is thus faced with new challenges - dealing with regulatory pressures, increasing the automation requisite to delivering quality products, the need to manage costs and raise productivity, maintaining quality and supplying components in a just-in-time (JIT) mode on the production line, ensuring compliance to environmental issues are only some of these. While the challenges are many, they bring with them numerous opportunities as well. The industry would stand to gain from the learning and innovation experiences.

GST is expected to make a positive impact on all Sectors, including the automotive sector. Currently the effective tax rate for the sector ranges between 30- 47 per cent. On implementation of GST, the tax rate is expected to oscillate between 20-22 per cent. It is expected to drive overall demand and reduce end user's cost by about 10 per cent. With reduced time at Octroi and other check points, the transportation time and overall costs are expected to reduce. In addition, the logistics and supply chain inventory costs will be curtailed by almost 30-40 per cent.

Another positive change can be brought about by introducing an effective vehicle scrappage policy. The Automotive Mission Plan 2026 has alluded to the repair, and recycling of automotive vehicles, components and services. A policy that encourages scrapping of old vehicle through compensation to owners will ensure that the old vehicles do not find their way to other cities. Recommendations of the Ministry of Road Transport including discounts by automobile manufacturers and a possible cut in excise tax on the purchase of a new car and payment of a fair value for the scrap could be welcome steps. India could benefit from examining the strategies adopted by the European Union as well as Canada.

Industry body ACMA has projected that the industry is expected to grow in the range of 10-12 per cent in the current fiscal on hopes of above-normal monsoon, availability of easy finance, flow of money after implementation of 7th Pay Commission and recovery in the domestic automobile market.

Company Performance and Strategy

Your company is amongst the few to supply products such as gears, engine and transmission components to OEMs of different categories such as two wheelers, commercial vehicles, passenger vehicles, tractors and off road equipments.

The financial year 2015-16 was full of challenges, but proved to be an encouraging year. The The Total Revenue r of the Company was Rs. 452.2 crores compared to Rs. 434.5 crores in the previous year. The PBT was Rs. 33.6 crores and PAT stood at Rs. 21.1 Crores compared to Rs 26.3 crores and Rs. 18.4 crores respectively in the previous year. I am happy to inform you that with a view to sharing the gains, your Board of Directors had declared an interim dividend of 15 per cent and further recommends a final dividend of 15 per cent for your approval.

In terms of business development, the company is negotiating with several new customers. Some new products are also under development in line with the Company's expertise in gear & transmission manufacturing. These new developments are expected to add to the company's revenues in the years to come. Further, the Company continues to focus on cost reduction efforts and make improvements in operational efficiencies as well as value engineering activities to improve the margins. Additionally, 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.

The Board is competent with both executive and non executive Directors possessing a wide range of expertise. The Board continued to perform its role of monitoring the Company's performance, including its operational & financial performance, and progress in delivering new growth. In terms of strategy your Company is following a consistent and long term strategy, to grow cash flow across the cycle and deliver competitive returns through focus on quality and timely delivery.

We are exploring organic and inorganic growth options in the NAFTA Region for new manufacturing locations and to create a delivery hub without affecting the existing business. We also propose to have our footprint in South India to efficiently meet the requirements of our customers.

I, on my behalf and on behalf of my colleagues on the Board would like to thank and record our sincere gratitude to all our stakeholders for the confidence & trust reposed upon us and our deep appreciation to all employees of the Company for their hard work, commitment and whole hearted support for achieving the Company's goals and targets. I further thank all our customers, our supply chain partners and our bankers for reposing their confidence in us. As we step into a new phase, there are many reasons to be excited about the future of our business. We look forward to your continued support in the years ahead.

Deep Kapuria

Chairman

Managing Director's Message

Dear Shareholders,

This 30th Annual Report of the Company provides me another opportunity to interact with you and update you on the affairs of the Company. The performance of the Indian Economy in 2015-16 has proved to be satisfactory in many spheres with an improvement in the macroeconomic parameters. This was made possible despite, the many concerns being raised about the global economic environment. Your Company has also grown in line with the automotive industry's growth.

Macro Economic updates

The global economy continues to struggle with almost little or no growth in the year gone by. It was a year of mixed fortunes for the world economy. While advanced economies reflected a pick-up in growth relative to the previous year, emerging market & developing economies witnessed a slowdown. The continued decline in oil prices, quick adjustments in exchange rates, threat of terrorism in many countries, the exit of Briton from the European Union, the appreciation of the US dollar and weakening of most other currencies, notably the Euro have had a major impact on global trade flows.

The US economy has performed comparatively well in the last couple of years due to factors such as improvement in domestic demand, advantage of drop in global oil prices and an accommodative monetary policy. After experiencing extremely difficult situations in the past, the year 2015 exhibited some stability in many large and emerging economies.

In my earlier communications, I have referred to the VUCA (Volatile, Uncertain, Complexity and Ambiguious) environment. On Brexit, our take is that it is another VUCA phenomena that may shift the global business landscape to some extent. Necessary adjustments to to the related currencies will be the first and foremost outcome. This is also causing concern to automobile manufacturers as they fear an increase in costs on account of imposition of tariff barriers and possible job losses, if Brexit is not managed efficiently.

Converse to what is happening around the world 2015-16 has proved to be better for the Indian economy. India's GDP gained momentum in the final quarter and pushed full-year growth to a five-year high. GDP grew at 7.6% in FY 15-16, an improvement from 7.2% in the previous fiscal year. It primarily reflected robust growth in private consumption, which accounts for nearly 60% of the economy. India could have achieved an even better growth, if there had been a better monsoon, proper utilisation of resources and positive economic headwinds from abroad.

India has emerged as the fastest growing major economy in the world as per the Central Statistics Organisation (CSO) and International Monetary Fund (IMF). According to the Economic Survey 2015-16, the Indian economy will continue to grow more than 7.5% in 2016-17. Thus, India is set to have another year of strong growth propelled by healthy domestic dynamics. Inflation remaining under control and a rapidly-expanding middle class should continue supporting private consumption. The improvement in India's economic fundamentals has accelerated & will continue in present fiscal with the combined impact of strong government reforms, RBI's inflation focus supported by benign global commodity prices. India was ranked the highest globally in terms of consumer confidence during the year, despite the uncertainties in the global market.

Starting in 2012, India entered a period of anaemic growth, with growth slowing down to 5% levels. India started recovering in 2014-15 when the growth rate accelerated to 7.2%. In 2015-16, GDP growth went up further to 7.6 %, despite a poor monsoon, thanks to the various initiatives taken by the Government. Helped by the RBI's strict monetary policies retail inflation (CPI) has come down to 5.4%. The Current Account deficit has also come down to 1.4 % of GDP at the end of this fiscal year and the Fiscal Deficit is also being controlled. The Government has retained the fiscal deficit target to 3.9 % of GDP for 2015-16 and 3.5 % of GDP for 2016-17. Foreign exchange reserves also touched their highest ever level of about US$ 350 billion in the recent past.

The Government have taken many initiatives by issuing schemes to encourage and boost the economy. The initiatives are: **Startup India** is a Government of India flagship initiative to build Startups and nurture innovation. Through this initiative, the Government plans to empower Startup ventures to boost entrepreneurship, economic growth and employment across India. **Make in India:** the key objective of the campaign is to invite businesses not only in India but across the world to invest & manufacture in India. **Make in India is recognized globally and has featured in "100 Most Innovative Global Projects".** Make in India initiative is an honest attempt to revive the fortunes of **the** manufacturing sector as the revival of the manufacturing sector is key to revival of the Indian economy. . **Digital India** will **ensure that Government services are made available to citizens electronically. It is an initiative for connecting rural areas with high speed internet and improving digital literacy with a vision of inclusive**

growth in areas of electronic, service, products, manufacturing.

Automotive Sector:

The Auto industry is one of the most vibrant sectors of the Indian economy. Three powerful challenges are now impacting the auto industry: Shifts in consumer demand stricter requirements for safety & fuel economy and quality products at competitive cost. The Indian Auto & Auto Component sectors have been working tirelessly in all three areas and are geared for further improvements & growth in the coming years. Thus, we can say that the Indian automotive market is full of great opportunities and is capable of scaling new heights. The Industry therefore did register growth despite the many challenges faced by it during the period.

In 2015-16, the industry registered a growth of 3.49% over the same period last year by selling 24,110,931 vehicles compare to 23,297,717 vehicles in the previous year. It is heartening to note that the growth in commercial vehicles segment was the dark horse among all categories of vehicles and registered the highest growth of 12.18%. The volumes in the industry consist of passenger vehicles (PVs) 14.28%, Commercial Vehicles, including heavy and medium vehicles at 3.26%, Three-wheelers 3.91%.and Two-wheelers, which account for 78.54%.

Two wheelers have always had a major share of volumes in the total output; however there was limited growth in the previous year except in the case of scooters. The reason could be the prevailing high base and the low rural demand, due to a below average monsoon. The segment produced and sold (both domestic and exports) 18,829,786 units and 18,937,104 units compared to 18,489,311 Unit and 18,433,027 units in previous year, thus registering a marginal growth of 1.84% in production and 2.73% in sales. It is also worth noting that the growth of the scooter market is much higher than the motorcycle market, due to ease of driving and low maintenance costs.

Similarly, Passenger Vehicle segment produced and sold (both domestic and exports) 3,413,859 units and 3,443,567 units compared to 3,221,419 Unit and 3,222,577 units in previous year, thus registering a growth of 5.97% in production and 6.86% in sales. If we see exports in isolation, then 653,889 Units were exported compare to 621,341 units in previous years, thereby recording a growth of 5.24%. The commercial vehicles's growth in exports was significant at 101,689 Units compared to 86,939 units in the previous year which is an increase of 16.97%

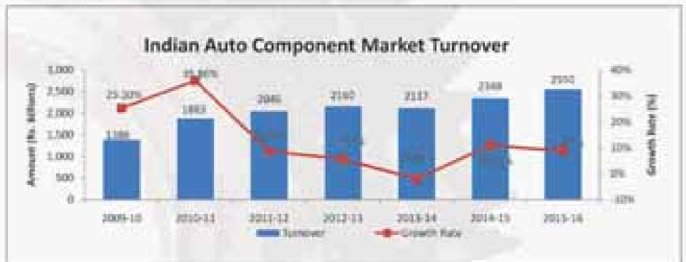
Indian automotive and auto component makers are well positioned to benefit from the globalisation of the sector as exports potential could be increased to new heights. The development in infrastructure, the big domestic market, increasing purchasing power and a stable government framework are the other reasons, which have made India a favourable destination for investment. However there are certain factors that stand as challenges before the automobile industry. The most immediate challenge is the uncertainties of global markets, weaker outlook in Europe etc.

More and more OEMs and large investors in the auto and auto component sectors are investing in India due to favourable policies and conditions.

Many vehicle manufacturers today consider India as a key part of their global strategy for above reasons. Interestingly, this potential is not limited only to India, on the contrary the domestic auto companies, have been trying to have their presence felt on the global stage by establishing their base. So, we can say, it is truly a global arena, where no physical boundaries are hurdles for business and growth.

The Indian auto-components industry can be broadly classified into the organised and unorganised sectors. The organised sector contributes 85% of the total business and it caters to the OEMs and consists of high-value precision instruments while the unorganised sector comprises low-valued products and caters mostly to the aftermarket category and contributes 15% of the total business.

The turnover of the auto component industry is Rs 2550 billion (USD 39 billion) for the year 2015-16, compared to Rs.2348 billion for the previous year , registering a growth of 8.51%. Exports of auto components edged up by 3.5% to Rs 70,900 crores from Rs 68,500 crores in 2014-15. However, imports of auto components grew by 9.3% to Rs 90,600 crores from Rs 82,900 crores. Besides, aftermarket sales in the period under review were higher by 12% to Rs 44,660 crore from Rs 39,875 crores in the previous fiscal 2014-15. Running with the expected pace, the auto component industry in India is likely to scale up to Rs. 6347 billion (USD100 billion) in turnover by 2020 with exports to grow the in range of Rs. 2221-2539 billion (USD35-40 billion).



Global automotive Original Equipment Manufacturers (OEMs) and suppliers recognise India as a key market today. The sector is witnessing significant changes in line with the global industry. Stringent emission and safety norms are playing an increasingly important role globally. In the recent past, the government has focussed on tighter emission norms to regulate air pollutants from vehicles and is promoting green vehicles. Of late, safety has also been attracting governmental attention. Evolving technologies and trends in connectivity, fuel efficiency, light weighting, ABS, EBD, electronics, etc. have only added to these complexities. While these developments do pose a host of challenges, they also open a lot of interesting opportunities for the Indian automotive sector.

Performance of the Company

2015-16 was another year in which we made consistent progress. The growth in sales turnover of the Company was similar to automotive industry growth. The total revenue of the Company increased to Rs 452.25 crores (net of excise duty) from Rs 434.59 crores in the previous year, registering a growth of 4.1%. The profit before tax was Rs 33.59 crores, compared to Rs. 26.29 crores in the previous year, registering a growth of 27.76%. Profit after tax stood at Rs 21.16 crores, comparedto Rs. 18.42 crores in the previous year, registering a growth of 14.87%. Earnings per share (EPS) of the Company increased to Rs. 11.28 from Rs. 9.81 in the previous year. In additions to the improvement in performance, I am happy to inform you that your company now has very little debt, with almost no term loans.