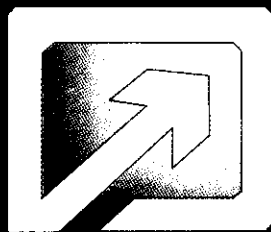


13 ANNUAL REPORT - 1998-99



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Hi-Tech Gears Ltd.

BOARD OF DIRECTORS

Lt.Gen.(Retd) J.K.Khanna - Chairman
Mr. Anil Khanna - Director
Mr. K.L. Kalra - Director
Mr. Deep Kapuria - Managing Director

Principal Executives

Mr. S.S. Rathore - Chief General Manager (Operations)
Mr. Deepak Rai - Dy. General Manager (Finance)
Mr. Vijay Mathur - Sr. Manager (Finance)
Mr. Praveen Jain - Company Secretary.

Auditors

M/s. Gupta Vigg & Co.
Chartered Accountants
86, South Park Apartments,
Kalkaji, 'B' Block,
New Delhi - 110 019.

Bankers

ICICI Banking Corporation Ltd.
9A, Phelps, Connaught Place,
New Delhi - 110001.

State Bank of Bikaner & Jaipur
Safdarjang Enclave branch,
Kamal Cinema Bldg,
Safdarjang Enclave,
New Delhi - 110029.

Registered Office & Works

A-589, Industrial Complex,
Bhiwadi - 301019
Distt. Alwar (Rajasthan)
Tel: 20934, 20034,20412.
Fax No. (01493)-20512.

Head Office and Share Department

OSHU HOUSE,
344/3, Lado Sarai,
New Delhi - 110 030.
Tel.6856600,6856700
Fax - 6850500.
E-Mail - hgl@nda.vsnl.net.in.

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HI-TECH GEARS LIMITED

NOTICE

Notice is hereby given to the members of Hi-Tech Gears Ltd that the 13th Annual General Meeting of the Company will be held on Tuesday, the 31st day of August 1999, at 11.00 A.M. at the Registered Office of the Company at A-589, Industrial Complex, Bhiwadi - 301019 Dist. Alwar, (Rajasthan) to transact the following Business:

ORDINARY BUSINESS

- 1) To receive, consider and adopt the Audited Balance Sheet as at 31st March 1999 and Profit and Loss Account for the year ended on that date together with the Auditors and Directors Reports thereon.
- 2) To declare Dividend on Equity shares.
- 3) To appoint a Director in place of Lt.Gen (Retd) J.K. Khanna who retires by rotation and being eligible offers himself for re-appointment.
- 4) To appoint a Director in place of Sh. K.L.Kalra who retires by rotation being eligible offers himself for reappointment.
- 5) To appoint Auditors of the company.

SPECIAL BUSINESS

- 6) To consider and if thought fit to pass with or without modification(s) the following resolution as ordinary resolution:

"Resolved That pursuant to section 198, 269, 309, 310, 311 read with Schedule XIII of the companies Act, 1956, and subject to the approval of the shareholders of the company in a general meeting, and in super session of the resolution passed by the board of directors in their meeting held on 25.7.1998 and also approved by the shareholders in the Annual General Meeting held

on 16th September, 1998, approval be and is hereby accorded to the payment of remuneration to Sh. Deep Kapuria, Managing Director of the company w.e.f 1.4.1999 till the remaining period of his present tenure i.e. up to 31.12.2001 at the terms and conditions set out below:-

1. Salary : Rs. 50000/- in the scale of Rs.50000-10000-100000/- per month.
2. Commission : @ 3% of the Net Profit of the company computed in the manner in Section 309(5) of the Companies Act, 1956 after the profits of the company are ascertained in it.
3. Perquisites: as under:

- (i) Housing: The expenditure on hiring the furnished accommodation will be subject to a ceiling of 60% of the salary, over and above 10% payable by the appointee.

In case no residential accommodation is provided to the appointee by the company, he shall be paid House Rent Allowance @ 60% of the basic salary per month.

- (ii) Gas, Electricity, water etc: The expenditure on Gas, Electricity, water and furnishing shall be valued as per Income Tax Rules 1962 subject however to the ceiling of 10% of the salary.
- (iii) Medical Reimbursement: Expenses incurred for the appointee and his family subject to a ceiling of one month's salary in a year or three month's salary over a period of three years.
- (iv) Leave Travel Concession:- For the appointee and his family, once in year incurred in accordance with the Rules specified by the company, subject to a ceiling of one month's salary.



HI-TECH GEARS LIMITED

- (v) Club Fees : Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fee.
- (vi) Personal Accident Insurance: Premium not to exceed Rs. 4000/- per annum.
- (vii) Provident Fund: Company's contribution towards provident fund not exceeding 12% of the basic salary per month.
- (viii) Gratuity: Not exceeding half month's salary for every completed year of service.
- (ix) Earned/ Privilege Leave: One month leave with full salary and perquisites for every eleven Month's Salary.
- (x) Use of Car: Free use of company's Car with driver for the business of the company.
- (xi) Telephone: Free use of telephone at the residence of the Managing Director. How-

ever long distance personal calls shall be billed to him by the company.

Resolved Further That the aggregate remuneration of the Managing Director shall not exceed 5% of the Net Profit in any Financial Year and total remuneration payable to all the working directors put together shall not exceed 10% of the Net Profit in Financial Year.

Resolved Further That in the event of loss or inadequacy of the Profit in any Financial Year, the appointee shall be paid remuneration at the rates specified above, subject to approval, if any, required from the Central Government under Schedule XIII of the Companies Act, 1956."

By Order of the Board,
For Hi-Tech Gears Ltd.

Place : New Delhi
Date : 12-07-1999.

(Praveen Jain)
Company Secretary.

NOTES:

- (1) A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company. Proxies in order to be effective must be received at the registered office of the company not less than 48 hours before the meeting.
- (2) The Register of Members and the Share transfer books will remain closed from 24-8-99 to 30-8-99 (both days inclusive).
- (3) If dividend on shares as recommended by the Board of Directors is passed at the Meeting, payment of such dividend will be made to those members whose names appear in the Register of Members on 30th August 1999.
- (4) Members desiring any information as regards the Accounts or any other information are requested to write to the Company Secretary at the Registered Office of the Company or E-Mail at hgl@nda.vsnl.net.in.
- (5) An explanatory statement as required Under section 173(2) of the Companies Act 1956 is required, hence attached.



HI-TECH GEARS LIMITED

Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956**Item No. 6**

Sh. Deep Kapuria was appointed as managing director of the company for a period of five years w.e.f. 1.1.97, and his remuneration was last fixed at the @ Rs. 40000/ per month in the scale of Rs. 40000-10000-80000 plus perquisites etc. w.e.f 1.4.1998. Mr. Digvijay Kapuria resigned from the office of Joint Managing Director as well as director of the company w.e.f 21.8.1998 and since then the entire Management of the day today affairs of the company is being looked after by Mr. Deep Kapuria, alone as Managing Director of the company. Due to untiring efforts made by Mr. Deep Kapuria the turnover and profitability of the company have shown substantial growth. The suitable upward increase in the remuneration of Mr. Deep Kapuria, Managing Director has been considered by the board so that he is compensated reasonably well

commensurate with his responsibilities and the level of remuneration generally prevalent in the industry. Accordingly the board has, subject to the approval of the shareholders, revised the remuneration of the Managing director w.e.f 1.4.1999 till the remaining period of his tenure i.e. up to 31.12.2001, at the rates specified in the resolution at Item no. 6 of the Notice. The directors commend the resolution for approval by the shareholders.

None of the directors, except Mr. Deep Kapuria is interested or concerned in the resolution.

This may also be considered an intimation regarding the variation in the terms of appointment and remuneration of Sh. Deep Kapuria, Managing Director, and the Memorandum of Interest of directors pursuant to section 302 of the Companies Act, 1956



HI-TECH GEARS LIMITED

DIRECTORS REPORT

Your Directors have pleasure in presenting the 13th Annual Report of the Company together with the audited Balance Sheet and Profit and Loss Account for the year ended 31st March 1999.

Working Results

The Financial Results for the year ended 31st March 1999 are as under:-

Item	(Rs. in lakhs)	
	Year ended 31-3-1999	Year ended 31-3-1998
Sales	5453.00	4140.08
Other Income	21.68	20.70
	5474.68	4160.78
Manufacturing cost	3267.51	2358.15
Excise Duty	685.49	514.22
Other cost	753.54	644.65
Depreciation	190.94	193.15
Financial Charges	306.63	300.93
Provision for taxation	37.00	10.00
	5241.11	4021.10
Net Profit after Tax	233.56	139.68
Balance of Profit & Loss brought forward	141.63	62.12
Transfer from Investment Allowance Utilisation Reserve	25.00	—
	400.19	201.80
Appropriations		
Provision for dividend	64.52	41.06
Tax on Dividend	6.45	4.11
Transfer to General Reserve	55.00	15.00
Balance surplus in P&L A/c	274.22	141.63

The net profit after providing for depreciation during the year was Rs.233.57 lacs as against Rs. 139.68 lacs during the previous year.

Current Performance and Future Prospects

The Financial Year 1998-99

During the year 1998-99 your company kept up its pace of growth and revenue have increased by 31.58%. There has been steady

pressure on costs and despite severe constraints your company has managed to increase its Net Profit by 67.22%.

The year gone by has seen the company consolidate its position. The auto industry in India is gearing up for increased competition resulting in keen competitiveness. Price, Quality and delivery are essentials today. Your company has taken the initiative and seeks to be a front runner in customer satisfaction. The growing need of the economy and the relevance of being a global player demand increased exports. Your company has succeeded in opening up the export market and has commenced supply to M/s. Cummins world wide. Besides this the company is developing markets in Germany and is increasing its business in U.K. The largest customer of the company, M/s. Hero Honda Motors Ltd, continues to do very well in the Indian market. In the current year as well the leadership of Hero Honda continues in the Motorcycle segment. Besides this the outlook for your company remains healthy as all segments of its business continue to show growth.

Directors

Lt.Gen (Retd) J.K. Khanna and Sh. K.L. Kalra, Directors of the Company are retiring by rotation, being eligible offer themselves for re-appointment.

Auditors

M/s. Gupta Vigg & Co., Chartered Accountants, Auditors of the Company retire at the ensuing Annual General Meeting and being eligible offer themselves for reappointment. The company has received a certificate from the Auditors that in case they are appointed as Auditors in the ensuing Annual General Meeting the same will be within the limit specified under section 224(1B) of the Companies Act, 1956. The Board recommends their appointment.

Dividend

Your Directors have the pleasure of announcing a dividend of Rs.2.75 (Rupees Two and paise seventy five only) per equity share of



HI-TECH GEARS LIMITED

Rupees 10/- (Ten) each on 23,46,000 equity shares for the year ended 31-03-1999. The dividend if approved by the members at the forthcoming Annual General Meeting will, be paid within 42 days of the declaration.

QS 9000 Accreditation

Your Directors are pleased to inform you that that the company has been granted QS 9000 accreditation by Underwriters Laboratories, Registered firm on 12th January 1999. Your company was already having ISO 9000 Certificate. New quality standards are being adopted by the companies all over the world. Your company has achieved another milestone, keeping in view pursuit for excellence in quality.

Y2K Compliance

Your company is fully aware of the risks associated with year 2000 problem. All hardware, network components, third party and internally developed software and communication devices have been tested and made compliant. The task of Y2k compliance is being executed under direct supervision of top executives of the company. Till date Rs.32.50 lacs have been invested in this process.

Your company has developed and formulated a contingency plan to withstand any system failure due to any known/unknown Y2k issue.

Public Deposits

During the year the company neither invited nor accepted any deposit within the meaning of Section 58A of the Companies Act, 1956 and Rules made there under.

Personnel and Industrial Relations

The relationship among the members of Hi-Tech Family remained cordial throughout the year. The Board wish to place on record their deep appreciation to all levels of its family members for their whole hearted support and cooperation. The company believes that its people are its main assets, it is with only continued training and enhancement of skills of people can the company grow to world class standards. The Management hopes to have congenial atmosphere in the future years to come. Further, as a step towards achieving

Total Quality Management (TQM) the work-force is being regularly exposed to professional training programs so as to acquaint and orient them to work on world class technology standards.

Particulars of Employees

A statement containing particulars of employees as required under Section 217(2-A) of the Companies Act, 1956 read with Companies (particulars of Employees) Rules 1975 is given in the Annexure-I, which forms a part of this report.

Listing

The shares of your Company are listed on Jaipur, Delhi & Mumbai Stock Exchanges, and pursuant to Clause-38 of the Listing Agreement the annual listing fee for the year 1999-2000 has been paid.

Conservation of Energy, Technology Absorption etc.

The information regarding conservation of energy, technology absorption, foreign exchange inflow and outflow pursuant to Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules 1988 has been given in Annexure - II to this Report and form a part of this Report.

Acknowledgment

The Directors of your company wish to thank you, The Industrial Finance Corp of India Ltd, The Industrial Credit and Investment Corporation of India Ltd, ICICI Banking Corporation Ltd, State Bank of Bikaner & Jaipur, Hero Honda Motors Ltd, Shriram Honda Power Equipments Ltd, Escorts Ltd, Tata Cummins Ltd, for their valued support and hope to receive the same in future.

By Order of the Board
For Hi-Tech Gears Ltd.

Place: New Delhi Lt.Gen.(Retd)J.K. Khanna
Dated: 12th July 1999. Chairman.



HI-TECH GEARS LIMITED

Annexure - I

Statement of particulars of employees pursuant to the provisions of Section 217(2-A) of the Companies Act, 1956 as amended by the Amendment Act, 1988 read with the Companies (Particulars of Employees) rules 1975 as amended forming part of the Directors Report for the financial year ended 31st March 1999.

Name & Designation	Age	Remuneration (Rs)	Qualifi- cation	Experi- ence	Date of employ- ment	Last employ- ment
Deep Kapuria Managing Director	49	945928/-	BE(Hons)	27 yrs	1-1-87	Business
Digvijay Kapuria Jt.Managing Director	44	800261/-	B.Com	21 yrs	1-1-87 to 22-8-98.	Business

Note:

Information has been furnished on the basis of employees employed throughout the year, who were in receipt of remuneration for the year in aggregate was not less than Rs.6,00,000/ and those employed for the part of the year, in receipt of remuneration for any part of the year except Mr. Digvijay Kapuria, at a rate which in aggregate was not less than Rs. 50,000/- per month.

Remuneration includes salary, allowances/payments and expenditure on perquisites and company's contribution to provident Fund.

All appointment are not contractual except those of Mr. Deep Kapuria and Mr. Digvijay Kapuria.

None of the employees is in receipt of remuneration in excess of that drawn by the Managing Director and hold by himself or alongwith his spouse and dependent children two percent or more of the equity shares of the Company.

None of the employees is related to the Director of the Company except Mr.Deep Kapuria and Mr. Digvijay Kapuria who are related to each other.



HI-TECH GEARS LIMITED

Annexure - II**A. Conservation of energy****a) Energy conservation measures taken by the Company**

The company is acutely aware of the need to conserve energy. The company has consistently monitoring its power factors and has installed capacitors banks to stabilize the energy consumption.

Besides this the company has installed sophisticated in line heat treatment equipment to conserve the component heat and utilise the same for component hardening & tempering. These and similar new ideas are being adopted across the shop floor to conserve energy and promote efficiency of operation.

B. Technology Absorption**Efforts made in technology absorption**

Your company has continuously endeavored to acquire world class technology both hardware and software. No efforts are spared in this direction. Your company continuously upgraded its facility of manufacturing quality. Besides there is an instituted process of measuring and improving work practices to align ourselves with the global standards.

The Company has been accredited with QS 9000 certification during the previous year

by Underwriters Laboratories Inc. This is a step forward in achieving and adopting global systems of operations, ensuring a focus on continuous improvement.

These efforts shall ensure that the technology acquired during the years is dissipated and allowed to percolate down the entire organization.

a) R & D facility in the company and benefit there from

No research was conducted by the Company during the year.

b) Any investment made by the company for R & D during the year.

No investment is considered necessary.

C) FOREIGN EXCHANGE EARNINGS AND OUTFLOW

The details of Foreign Exchange inflow and outflow are as under:-

(Rs. in lacs)

Inflow	201.13
Outflow	77.04
Capital equipment	57.08
Others	19.96