



Hi-Tech Gears Limited

23rd Annual Report 2008 - 2009

Passion To Succeed

Report



on.com



Corporate Office

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

Registered Office & Works

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

Plant II:

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

Bankers

ICICI Bank Ltd.

Citi Bank N.A.

Standard Chartered Bank

State Bank of India

State Bank of Bikaner & Jaipur

Bank of Baroda

Yes Bank Limited

Registrar & Transfer Agent

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

Board Of Directors

Sh. Deep Kapuria
Chairman & Managing Director

Mr. Anil Khanna
Independent Director

Mr. Sandeep Dinodia
Independent Director

Mr. P.C. Mathew
Independent Director (Additional)

Mr. Vinit Taneja
Independent Director (Additional)

Mr. Pranav Kapuria
Deputy Managing Director

Mr. Anuj Kapuria
Director

Senior Executives

Mr. Ashish Tandon
Vice-President & CFO

Mr. Vijay Mathur
General Manager (Finance)

Principal Officer

Mr. Praveen Jain
Head Legal & Company Secretary

Statutory Auditors

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

Internal Auditors

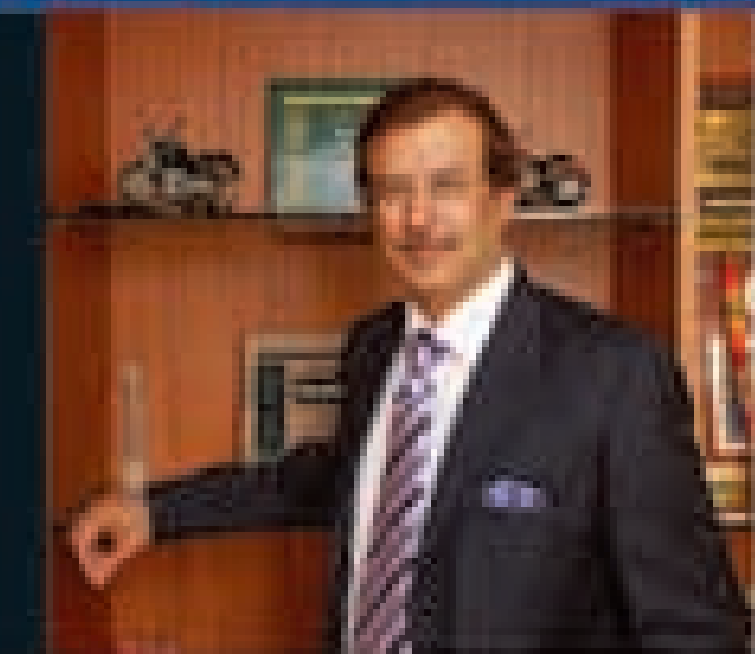
Ernst & Young Pvt. Ltd.
Golf view Corporate Tower - B
Sector - 42, Sector Road,
Gurgaon - 122002, Haryana (India).

CONTENTS

Chairman's Message	2
Milestones	4
Directors' Report	6
Management Discussion & Analysis	10
Corporate Social Responsibility	17
Corporate Governance Report	20
Auditor's Report	33
Balance Sheet	36
Profit & Loss Account	37
Schedules to Balance Sheet and Profit & Loss Account	38
Cash Flow Statement	52
Shareholder's Information	54
Notice	55

Forward Looking Statement

In our report we have disclosed forward-looking information so that investor can better understand the company's future prospects and make informed decisions. This Annual Report and other written and oral statements that we make from time to time contain such forward-looking statements that set out anticipated results based on management's plans and assumptions. We have tried, wherever possible, to identify such statements by using words such as 'anticipate', 'estimate', 'expect', 'projects', 'intends', 'plans', 'believes', and words and terms of similar substance in connection with any discussion of future operating or financial performance. We cannot guarantee that any forward-looking statement will be realized, although we believe we have been prudent in our plans and assumptions. Achievement of future results is subject to risks, uncertainties and inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Investors should bear this in mind as they consider forward-looking statements. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.



Chairman's Message

Dear Shareholders,

Economic State of Affairs of India

The year gone by was unique in many ways. First, the crude oil price surged to \$ 150 a barrel, followed by sub-prime crisis. The world markets tumbled as financial greats like Lehman Brothers came down crashing. The previous year was also unique as growth in first two quarters of the world economy was unprecedented. The last two quarters were equally unique as the world economy shrank by 2.9%. The fall of US dollar accompanied with historical credit crunch.

Nobody could have imagined that pioneers of capitalistic markets like US and UK would be resorting to state intervention in the money markets through stimulus packages of trillions of dollars. Even at this point of time it is not clear whether these stimulus packages are enough to revive US and European economies in particular and world economy at large?

The world automotive industry was, perhaps, worst affected. Severe credit shortage forced buyers to postpone their purchase of vehicles. The OEMs across the world were forced to abandon their expansion programs and resort to cost pruning and labour layoffs. The Chrysler and GM filed for bankruptcy, though in case of GM it was prepackaged one. Even Toyota Motors also suffered losses and was also forced to relook at its strategies. The whole automotive industry was in a tailspin. The US produced 10.5 mn Vehicles in 2008-09 as compared to 15 mn in 2007-08. Likewise Europe produced 14 mn in 2008-09 as compared to 17 mn vehicles produced in 2007-08.

India, while fundamentally in a much stronger position, has also experienced the impact of these events as they were transmitted through the trade and capital channels. The strong financial sector insulated the industry from the global tremors, however credit crunch was felt by the Indian industry.

The Indian economy's robust fundamentals and domestic growth drivers will impart it the resilience to emerge stronger from this period. The strong domestic consumption and investment drivers will continue to support healthy rates of growth

The Indian economy characterized by strong fundamentals, grew at 9% in 07-08. However inspite of the global financial turmoil and recessionary environment could manage growth rate of 6.7% in the year 08-09. During current fiscal the Indian economy is expected to grow by 5.5-6.5%.

Industry in India and Hi-Tech strategy for the future

The Indian automotive industry grew @ 2.96 % in the year 08-09. The Two wheeler industry, due to strong rural demand, had a growth rate of 4.88% whereas

commercial vehicle industry, due to high interest rates and demand slowdown, declined by whopping 24%. Presently, the industry is going through consolidation phase. The large unutilized capacities would play a crucial role in the current year. The attractiveness of the Indian markets on one hand and the stagnation of the auto sector in the markets such as US, Europe and Japan on the other have resulted in shifting of new capacities and flow of capital to the Indian Automobile Industry.

Industry feels that the momentum will continue, since the recovery in the passenger car, two-wheeler segment and light commercial vehicles seems to be sustainable, aided by dropping interest rates and better availability of finance. The Finance Minister's latest stimulus package announced in the Budget will have positive impact on the overall demand specially in the rural areas. The momentum will sustain and the best indicator is the stock market. Besides, it also depends on the performance of the new Government, which many people believe that it will do so.

The Indian automotive industry holds significant scope for expansion, both in the domestic market, where the vehicle penetration level is on the lower side and in the international market, where India could position itself as a manufacturing hub. The current level of share, viz, less than 5% of global production and less than 1% of global trade also corroborates the potential for expansion in this industry.

Company Performance

The financial year 2008-2009 has ended on a challenging note. Your Company surpassed the previous year gross turnover and has achieved a gross turnover of Rs. 32,378.14 Lac (Previous year

31,622.29 Lac), recording an increase of 2.39%. The Net Profit (After tax) of the Company has decreased from Rs. 982.01 to Rs. 769.36 Lac, recording a decrease of 21.65% as compared to the previous year as the sales volume was affected by the global downturn from the third and fourth quarter.

The sharp decrease in automobiles demand in US after October 2008, has led to decreased exports of the company in the second half of the year under review. Your Company has export turnover of Rs. 4881.69 Lac as compared to Rs. 6128.26 Lac in the previous year, registering a decrease of 20.34%.

In keeping with our philosophy of sharing the gains with our stakeholders, I am pleased to report that the Directors have made recommendation of final dividend 15% i.e. Rs. 1.50 per equity share as compared to 30% paid last year i.e. Rs. 3.00 per equity share.

We, at HGL have demonstrated a Passion to Succeed, and is being reflected in the leadership position that we are an independent and reputed transmission manufacturing Company of the country, this is largely due to the unstinting and relentless dedication of all members of the Hi-Tech family and am confident that this will only be surpassed in the years to come.

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

Deep Kapuria
Chairman & Managing Director

80

Milestones



Down the years

- | | | | |
|------|---|------|--|
| 1986 | Incorporated as a Public Limited Company | | |
| 1988 | Production commencement: single source supplier to Hero Honda | 1995 | Selected as single source supplier to Honda Power, Tata Cummins Ltd. |
| 1989 | Product Indigenisation | 1996 | Technology Agreement with GETRAG, US |
| 1992 | Technical Tie-up with Kyushu Musashi, a subsidiary of Honda Motors, Japan | 1996 | Certified as ISO 9002 |
| 1993 | Backward Integration into Precision Forgings | 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 14001 : 1996

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

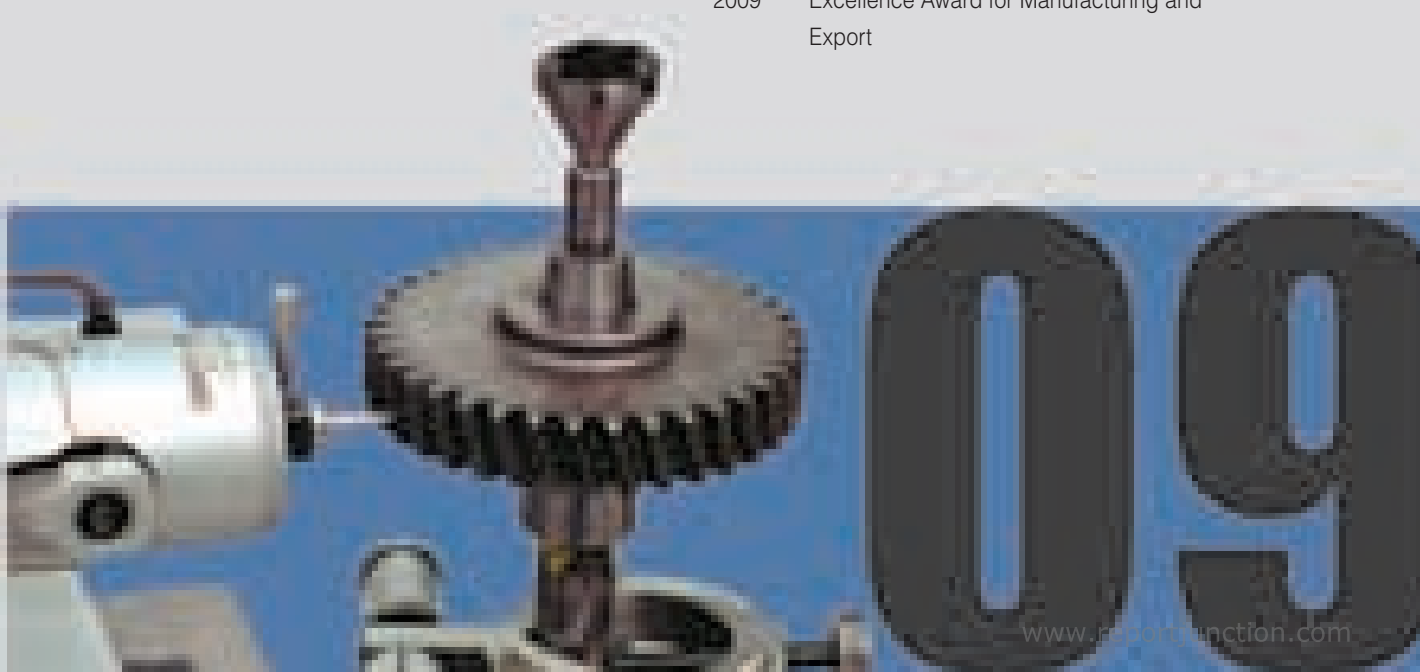
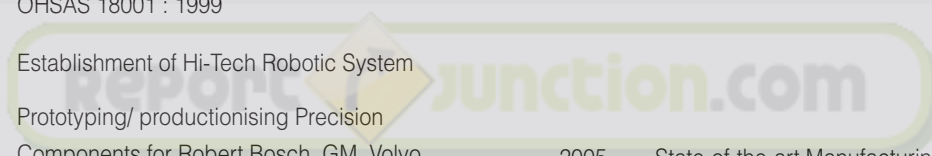
2005 State-of-the-art Manufacturing Facility set up at Manesar

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





DIRECTOR'S REPORT

Dear Members,

With pleasure your Directors present their 23rd Annual Report of your Company together with the audited statement of accounts for the financial year ended on March 31, 2009.

Financial Results

The highlights of the financial performance of the Company is presented as under:

(Rs. in lacs)

Particulars	2008-09	2007-08
Sales	32378.14	31622.29
Other Income	129.85	381.61
Total Income	32507.99	32003.90
Profits before Depreciation, Interest and Taxes (PBDIT)	3324.81	3832.56
Depreciation	1176.51	1,170.73
Profits before Interest and Taxes (PBIT)	2148.30	2661.83
Financial Charges	996.77	1,157.87
Cash Profit (PBDT)	2364.42	2706.38
Profits before Taxes (PBT)	1187.91	1535.65
Provision for Taxes	359.32	553.63
Profit after Tax (PAT)	769.36	982.01
Balance of profit brought forward	2018.43	1667.14
Dividend	140.76	281.52
Tax on dividend	23.92	47.84
Transfer to General Reserve	200.00	300.00
Balance Carried over to Balance Sheet	2238.07	2018.43
Earnings Per Share (EPS)	6.23	10.45

Operations

The financial year 2008-2009 has been extra ordinarily challenging and tough. Your Company surpassed the previous year turnover and has achieved a turnover

of Rs. 32,378.14 Lacs (Previous year 31,622.29 Lacs), recording an increase of 2.39%. The Net Profit (Aftertax) of the Company has decreased from Rs. 982.01 Lac to Rs. 769.36 Lac, recording a decrease of 21.55% as compared to the previous year.

Due to Global Financial meltdown and world economic slowdown the demand for the automobiles and auto component throughout the world was low. The major economies of the world including India and China faced acute shortage of the credit and liquidity.

Exports

The sharp decrease in demand of automobiles in US after October 08, has led to lower exports of the Company in the second half of the year under review. Your Company has export turnover of Rs. 4881.69 Lacs as compared to Rs. 6128.26 Lac in the previous year, registering a decrease of 20.34%.

Dividend

Your Directors have recommended a Dividend of 15% i.e. Rs 1.50 per equity share aggregating to Rs 140.76 Lacs (exclusive of corporate dividend tax) for your approval for the financial year ended March 31, 2009. The dividend, if approved, will be paid to the eligible members well within the stipulated period.

Postal Ballot

During the financial year 2008-09, no Special Resolution was required to be passed through postal ballot. At the forthcoming Annual General Meeting, there is no item for approval through Postal Ballot.

Code of Conduct for Prevention of Insider Trading Practices

In compliance with the SEBI (Prohibition of Insider Trading) Regulations, 1992, your Company has adopted a Code of Conduct for Prevention of Insider Trading Practices for its Directors and designated employees. The code lays down guidelines, which include procedures to be followed, and disclosures

to be made while dealing in the shares of the Company.

Code of Ethics and Business Conduct

Your Company has adopted a Code of Ethics and Business Conduct for its Board Members and Senior Management personnel. The code of conduct has also been posted on the official website of the Company. A copy of the code of conduct has been circulated to all the Directors and senior Management.

The Declaration by the Chairman & Managing Director of the Company regarding compliance with the Code of Conduct by Board Members and Senior Management is annexed with the Corporate Governance report.

Trading Window

In accordance with the Code of Conduct for prevention of insider trading, the Company closes its trading window for designated employees and Directors from time to time. As per policy, trading window closes for a period of 7 (seven) days, prior to the date of Board Meeting and opens after passing of 24 hours from the conclusion of Board Meeting in which the respective quarterly/half yearly/ yearly financial results are approved. The Trading Window is also closed during and after occurrence of price sensitive event as per the Code of Conduct for prevention of insider trading.

Secretarial Audit

M/s Grover Ahuja & Associates, practising Company Secretaries carried out Secretarial Audit on quarterly basis to reconcile the total issued and listed share capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). The Board of Directors confirms that the total issued and paid up capital as on 31st March, 2009 is reconciled with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

The Secretarial audit report is being submitted every quarter to the Stock Exchanges and placed before the Board Meeting.

Subsidiary Company

The Company had no subsidiary during the financial year 2008-09.

Listing of Shares

To provide easy liquidity in the shares of the Company, the equity shares of your Company are presently listed on the premier stock exchanges viz., the National Stock Exchange (NSE) and the Bombay Stock Exchange Limited (BSE). Pursuant to Clause 38 of the Listing Agreement, the annual listing fees for the year 2009-2010 has been paid to both the Stock Exchanges within the prescribed time period.

Dematerialisation of the Equity Shares

98.43% of the total equity shares of the Company are held in dematerialized form by the participants of National Securities Depository Limited (NSDL) and Central Depository Securities (India) Limited as on March 31, 2009.

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

Directors

The Board has been reconstituted with the induction of two new Additional Directors Mr. Vinit Taneja and Mr. P.C. Mathew w.e.f 23.5.2009. Appointment of new Directors is valid up to the forthcoming Annual General Meeting and Board of Directors commends to the shareholders their appointment as Director of the Company. The Board of Directors welcome new members on the Board and wish them a successful tenure with the Company.

Mr. K.L. Kalra, Director of the Company passed away on February 6, 2009. He was 80 years old. The Board placed on records its appreciation for



the contribution made by Late Mr. Kalra towards the growth and prosperity of the Company.

Mr. Anil Kumar Khanna, Director of the Company, retire by rotation at the ensuing Annual General Meeting and being eligible offer himself for re-appointment. Your Board of Directors considers that it would be in the interest of the Company to continue to avail the services of the Mr. Khanna due to his vast knowledge, experience and ability.

A brief profile of the above Directors proposed to be appointed and re-appointed and the information pursuant to Clause 49 VI (A) of the Listing Agreement is being annexed to the Notice of the 23rd Annual General Meeting.

Auditors

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

Information/Explanation on qualification in Auditors' Report

Explanation of the Board to the qualification under clause 4 (vi) of Report of the Statutory Auditor on the Financial Accounts of the Company for the year ended 31 March, 2009 is as under

"Pursuant to the notification of the Companies (Accounting Standards) Amendment Rules, 2006 on 31st March 2009, exchange differences relating to long-term monetary items, arising during the year, in so far as they relate to the acquisition of a depreciable capital asset are added to/ deducted from the cost of the asset under the head "Addition" of Schedule 4 and depreciated over the balance life of the asset. Exchange differences relating to long-term monetary items have been recognized in the Profit and Loss

account in the previous year. These have now been reversed from the General Reserve and accounted for in accordance with above.

Accordingly, Rs.162.87 Lacs have been added to the cost of fixed assets and consequently the profit for the year is higher by Rs.382.49 Lacs and the General Reserve is lower by Rs.204.22 Lacs."

Directors Responsibility Statement

In compliance of Section 217(2AA) of the Companies Act, 1956, as amended by the Companies (Amendment) Act, 2000, the Board of Directors of your Company confirm:

- (i) that the applicable accounting standards have been followed in the preparation of final accounts for the year ended March 31, 2009 and that there are no material departures.
- (ii) that such accounting policies have been selected and applied consistently and such judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2009 and of the profit of the Company for the year ended on that date.
- (iii) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and preventing and detecting fraud and other irregularities, and
- (iv) that the annual accounts for the year ended March 31, 2009 have been prepared on a going concern basis.

Particulars of the Employees

Information in accordance with the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended, is given in Annexure-I, to this report.