



Hi-Tech Gears Limited 25th Annual Report 2010-2011



Passion to Succeed



Passion Innovation Technology

Corporate Office

14th Floor, Tower-B,
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

Plant III:

SPL - 146
Industrial Complex,
Bhiwani- 301019
Dist. Alwar, (Rajasthan)

Bankers

DBS Bank Ltd.
ICICI Bank Ltd.
Citi Bank N.A.
Standard Chartered Bank
State Bank of India
State Bank of Bikaner & Jaipur
Bank of Baroda
Yes Bank Limited

Registrar & Transfer Agent

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

Board of Directors

Sh. Deep Kapuria
Chairman

Mr. Anil Khanna
Independent Director

Mr. Sandeep Dinodia
Independent Director

Mr. P.C. Mathew
Independent Director

Mr. Vinit Taneja
Independent Director

Mr. Pranav Kapuria
Managing Director

Mr. Anuj Kapuria
Executive Director

Mr. Ramesh Chandra Jain
Additional Director

Senior Executives

Mr. Vijay Mathur
General Manager (Finance)

Principal Officer

Mr. S.K.Khatri
Company Secretary

Statutory Auditors

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

Internal Auditors

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

Vision & Mission

Hi-Tech Gears Vision

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

Hi-Tech Gears Mission

“We will be the preferred partner in delivering engineering products and design solutions through lean philosophy with a focus on:

- **Building a Customer centric Organization**
- **Rapid development of products and innovative solutions**
- **Ensuring cost effectiveness**
- **Developing competent and committed people”**

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Forward Looking Statement & Disclaimer

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



Chairman's Message

Dear Shareholders,

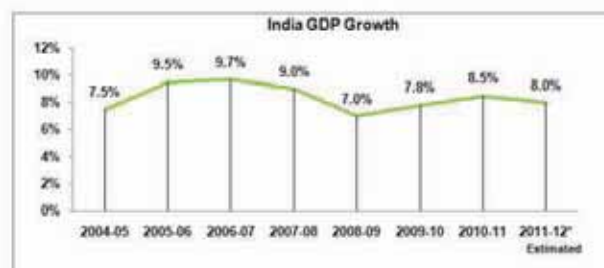
I am delighted to inform you that your Company is celebrating 25 years of its incorporation. The Company was incorporated in 1986 and production started in 1988. We can all look back now with pride as we have come through various transitional curves, many of them very challenging, to reach a distinguished and reputed position in the Automotive Industry. It is at this point that I would like to thank each and every one of the stakeholders for having faith in the Management of the Company and for being there through the challenging journey of 25 years. Obviously, your Company is not going to rest on its laurels but will continually strive to deliver excellence in each sphere of the Business Process.

The World Economy

Since 2008 a lot of transformational changes have taken place in the Global Economy, however there is still a long way to go. The TRIAD markets are still going through the restructuring process and have not found

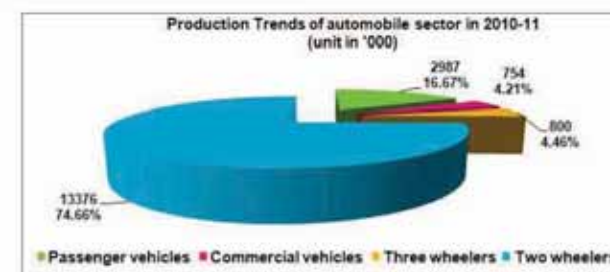
a sustainable answer to many ills troubling their economies. In today's world which is globally connected through trade and commerce, no market can remain unimpacted by the volatility in the major economies of the world. Although the developing countries, including the BRIC countries fared better than the rest, yet given the current situation, the entire global economy faces numerous challenges thrown up by inflationary pressures on commodities and food products.

India's growth dynamics were in contrast to the overall global scenario and India remained as one of the fastest growing economies registering growth of 8.5% during 2010-11. However, as we go into print, we hear of various downward revisions being made to India's growth forecast for 2011-12. The RBI has revised the growth forecast down to 8% for 2011-12 but other indications from various independent agencies speak of a growth estimate below 8% also.



The Indian Auto Industry

The Indian two-wheeler industry has shown strong volume growth over the last two years, having grown by 25% in 2009-10 by manufacturing 10.52 million units and 27% in 2010-11 to reach 13.37 million units. Further, with this growth vehicle production is estimated to increase three fold from 2009 to 2020. The rise in demand is led by various underlying factors including India's rising per capita income, increasing rural demand, growing urbanization, swelling replacement demand etc. However it is expected that rising interest rates, raw material & fuel prices will lower sales growth and the forecast for the automobile sector in the current financial year is 11 to 13% compared to the earlier projection of 12-15%. The lower growth forecasts are primarily for passenger vehicles and undoubtedly, any further increase in interest rates will adversely affect growth numbers for other segments also. Your Company is however hoping that the rural market, which is also a large and vibrant market, will sustain a reasonable growth for two wheelers.



Future outlook

Inflationary pressures, which are triggered by supply side factors, are now developing into a wider issue together with other factors like higher finance and input costs. Monsoon during this year is predicted to be below normal. A new industrial policy is on the cards and will hopefully address the ground level realities faced by manufacturing set ups in the industrial sector, so that the growth in the current year (2011-12) atleast matches the prior year.

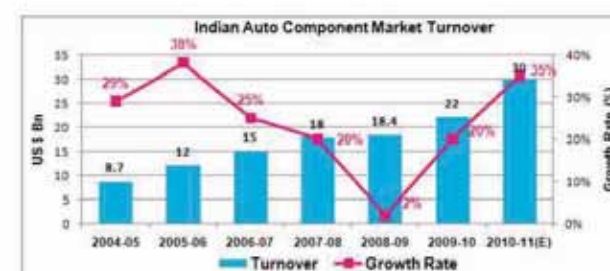
Uncertainty about the extent and pace of global recovery persists. Private spending in advanced economies continues to be constrained making it likely that economic stimuli in these economies will continue for a further period. Emerging Market Economies will also have almost the same position as in the previous year i.e growth in a restricted manner in selected industries.

On the cost front, the availability of key raw materials such as steel and energy at reasonable prices, inflation, lower demand etc will remain as a cause of concern.

The Indian automobile market and our outlook

The Indian automobile market has made its mark in the world by giving quality products at competitive prices. The Automobile and Auto Component sectors go hand in hand. With the robust growth in the automobile sector, the auto component sector has also flourished. There has been consistent growth in the auto component market in recent years and it is estimated that the auto component market is worth US \$ 30 billion in India.

Significant investments are being made by Indian OEMs and auto component manufacturers in order to increase their capacities and fill the gap between the supply and



demand. This has opened a new opportunity for your Company also to offer contemporary products to its export customers by upgrading its technology. As your Company now exports around 22% of its total sales, we have to focus on technological changes to keep abreast of various developments and be responsive to the market and specific customer requirements. Accordingly, we have recently acquired newer gear finishing technologies and we are further investing in world class and best-in class inspection/testing infrastructure for high quality products that can help in building up confidence of our esteemed customers in India and across the globe. This is because your Company believes that the long term outlook for the Auto Sector is still quite positive, especially in India.

Company Strategy

Your Company is now focusing on future technologies and sustainable manufacturing. In this connection, it is my pleasure to inform you that HGL has set up another state of the art plant, near the mother plant in Bhiwadi, Rajasthan which will soon be functional at its full capacity. This facility is an 'ECOFAC Plant', and is meant to be a sustainable green manufacturing plant.

The financial year 2010-2011 was an encouraging year in all aspects for the Company. The turnover of the company surpassed the Rs. 400 crore mark & touched Rs. 424.93 crores. The profit before tax was Rs.52.67 crores and the profit after tax stood at Rs. 35.04 crores. The Company has shared the gains among the shareholders of the Company by giving 1:1 Bonus Shares and 15% interim dividend. Your Board of Directors have further reviewed the cash position of the Company and have recommended a final dividend of 25% for your approval.

You must be aware that HGL is already one of the largest independent transmission manufacturing companies in the country and we are constantly updating and achieving best standards of technology to keep pace with the global requirements and make Hi-Tech a global brand. I would like to place on record my sincere gratitude to the entire Hi-Tech family for their dedicated and relentless hard work in the year that has gone by to enable the Company to achieve the success that it has.

Before I conclude, I would like to thank all our business partners for their continued support and belief in Hi-Tech's endeavors, and for being an active part of Hi-Tech's growth story. My sincere gratitude to my Board colleagues for their wise guidance from time to time. I wish that this journey will continue to be equally exciting and rewarding as we move ahead.

Deep Kapuria
Chairman



Managing Director's Message

Dear Shareholders,

It gives me immense pleasure to reach you through this 25th Annual Report. It has been a long time since I interacted with you and a lot of changes have taken place in the world around us since then. Therefore, it would perhaps be appropriate to briefly review the macro economic scenario first before looking at the Company's performance and outlook.

Macro Economic Scenario

The world economy experienced very tough times since 2008 and the uncertainty persists even today. India & China have however stood out and have recovered faster than many other economies in the world. In the process they have even helped other economies to emerge from the global slow down.

India is now acting as a global manufacturing hub for manufacture of commercial vehicles, small & mid size cars and two wheelers. Rapid increase in sales of the small cars segment in India has prompted a number of global automobile companies to enhance their capacities for domestic as well as export markets. Additionally, there has been a steep increase in the sales of two wheelers and thus the Indian auto components industry is poised to grow in the current financial year also, though the rate of growth could be lower than prior years.

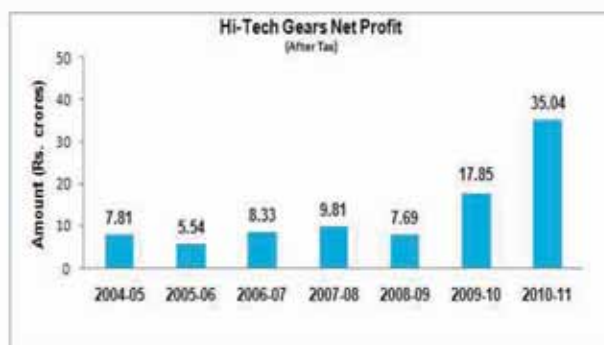
During the year under review the automobile industry grew at 27.45% and recorded total production of 17.92 million units. The two wheeler segment also grew at the same proportion and posted a total production of 13.37 million units. The Automobile sector is attaining new heights by manufacturing and selling more and more passenger cars and two wheelers. The sales have reportedly doubled in rural markets, where the leading two wheeler manufactures have been able to penetrate and reach out to hitherto untouched customers.

It is however expected that there will be greater competition in the two wheeler segment in the current year. Similarly, new models will be launched by the Car Manufacturers in the coming year to fight greater competition. At the same time there are also good opportunities for exports for the OEMs and Tier 1 manufacturers due to the combined benefits of comparatively lower material / labour cost and the advantages of competitive technology.

Company's performance and outlook



The financial year 2010-2011 was a milestone in the history of the Company and ended on an encouraging note. The turnover of the company crossed the Rs. 400 crore mark and touched a net turnover of Rs. 424.93 crores (Previous year Rs. 322.69 crores), recording an increase of 31.68%. The Net Profit (After tax) of the Company has increased from Rs. Rs.17.85 crores to Rs. 35.04 crores, recording an increase of 96.30 % as compared to the previous year.



The Company with its deep understanding of the market is now well placed to exploit growth opportunities resulting in an increase in the demand for its products. The Company posted an increase in the sales of all its business verticals during the year under review be it Two Wheeler components, or the T&EC & PTU business verticals.

In the recent past, we have won new businesses in UK & Brazil and our exports to the USA have also increased. As a result, the company posted strong export sales of Rs. 90.03 crores with an increase of 84% as compared to export sales of Rs. 48.89 crores in the previous year. As a result of all of the above, your company's dependence on the two wheeler segment has decreased as compared to the prior years.

We at HGL have understood the philosophy of sharing the gains with our stakeholders. Accordingly bonus shares were issued to the existing shareholders of the Company in the proportion of 1:1 by capitalising Rs.9.38 crores from the General Reserves during the year 2010-11 and now the total paid up share capital of the Company stands at Rs. 18.77 crores. Additionally the company also paid interim dividend of 15% on the increased share capital during the year under review and paid Rs. 2.82 crores. Encouraged with the performance of the Company I am pleased to report that the Directors have further recommended a final dividend of 25% i.e. Rs. 2.50 per equity share subject to the your approval at the ensuing Annual General Meeting resulting in a payout of Rs. 4.69 crores.

The Company continued to engage the services of Ernst & Young ('E&Y') to improve and establish suitable internal control systems with the purpose of safeguarding the Company's assets, promoting operational efficiency and ensuring compliance with various legal and regulatory provisions. The internal audits are conducted regularly during the year to check various business processes and adherence to laid down policies and procedures. Reports of the Internal Audits are regularly reviewed at the Audit Committee Meetings.

On the business front, the company is negotiating with several new customers. Some new products are also under development in tune with the Company's expertise in gear manufacturing and these 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 margins.

The future of the Company is full of opportunities and looks exciting and promising despite the headwinds being faced by almost all industries today. I thank and solicit continuous support from all the stakeholders including customers, vendors and our bankers. I also



wish to place on record my sincere thanks to my colleagues at all levels and the Board members for their valuable guidance.

Pranav Kapuria
Managing Director

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Milestones

Down the years



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 Establishment of Hi-Tech Robotic System
 2004 Prototyping/ productionising Precision Components for Robert Bosch, GM, Volvo and Daimler Chrysler



Hi-Tech Gears Ltd, Manesar

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



2011





DIRECTORS' REPORT

Dear Members,

Your Directors present the 25th Annual Report of your Company with great pleasure, together with the audited statement of accounts for the financial year ended 31st March, 2011.

Financial Results

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

	(Rs. in lacs)	
Particulars	2010-2011	2009-2010
Sales (net of excise duty)	42493.15	32269.86
Other Income	243.23	86.18
Total Income	42736.38	32356.05
Profits before Depreciation, Interest and Taxes (PBDIT)	7647.39	4846.94
Depreciation	1618.71	1260.72
Profits before Interest and Taxes (PBIT)	6028.68	3586.22
Financial Charges	761.52	887.07
Cash Profit (PBDT)	6885.86	3959.86
Profits before Taxes (PBT)	5267.16	2699.14
Provision for Taxes	1762.97	914.09
Profit after tax (PAT)	3504.19	1785.05
Balance of profit brought forward	3276.53	2238.07
Balance available for appropriation	6780.00	4020.57
Dividend	750.72	422.28
Tax on dividend	122.87	71.76
Transfer to General Reserve	400.00	200.00
Balance Surplus in P & L Account	5456.41	3276.53
Paid-up Equity Share Capital	1876.80	938.40
Earnings Per Share (EPS)	18.67	19.00

Operations

The year gone by proved to be a turnaround year for the performance of your company and very encouraging for exports. The revenues of the Company (net of excise duty) increased to Rs. 42736.38 lacs in 2010-11 as compared to Rs.32356.05 lacs in 2009-10, thus registering an impressive increase of 32.08%. The Net Profit (after tax) of the Company has increased from Rs. 1785.04 lacs to Rs. 3504.19 lacs, recording an increase of 96.31 % as compared to the previous year.

During the year your company allotted bonus shares to the existing shareholders of the Company in the proportion of 1:1 by capitalising Rs.938.40 lacs from the General Reserves, thus raising the paid up share capital of your company to Rs.1876.80 lacs. The earnings per share (EPS) was Rs.18.67 per equity share on the increased share capital for the year under review. In the prior year (2009-10) it was Rs.19.00 per share on the lower share capital of Rs. 938.40 Lacs.

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

Exports

During the year under review your Company recorded a total export turnover of Rs. 90.03 crores as compared to export sales of Rs. 48.89 crores in the previous year, thus registering an increase of 84% . The higher exports were made possible because your company penetrated the European and Latin American markets also in addition to US market.

Dividend

During the year, an interim dividend of 15% i.e. Rs. 1.50 per equity share on the increased share capital amounting to Rs. 281.52 lacs was declared and paid. The Directors have now recommend to the shareholders a final dividend of 25% i.e. Rs. 2.50 per equity share subject to the approval of the shareholders at the ensuing Annual General Meeting resulting in a payout of Rs. 469.20 lacs.

If the dividend on the shares as, recommended by the Board of Directors, is approved by the shareholders in their 25th Annual General Meeting, payment of such dividend will be made to those members whose names appear in the Register of Members as on September 27, 2011. In respect of the shares held in electronic form, the dividend will be payable to the beneficial owners of the shares as on the closing hours of business on September 15, 2011, as per the details furnished by the depositories for this purpose.

Credit Rating

The independent credit rating agency, 'Fitch' has upgraded HGL's rating to 'A (ind)', which reflects HGL's consistent revenue growth and an improvement in its profitability in the last four years supported by a decline in HGL's working capital cycle. Your company's net cash conversion cycle therefore improved from 19 days to 3 days.

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 depositories 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.

Postal Ballot

During the financial year 2010-11, 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 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.

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 the policy, the trading window closes for a period of 7 (seven) days, prior to the date of the Board Meeting and opens 24 hours after 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 events as per the Code of Conduct for prevention of insider trading.

Code of Conduct

Your Company has adopted a Code of 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 Managing Director of the Company regarding compliance with the Code of Conduct for Board Members and Senior Management is annexed with the Corporate Governance report.

Secretarial Audit

M/s Grover Ahuja & Associates, practicing Company Secretary carried out the 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, 2011 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 is also placed before the Board Meeting.

Subsidiary Company

The Company had no subsidiary during the financial year 2010-11.

Listing of Shares

With a view 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) Mumbai. Pursuant to Clause 38 of the Listing Agreement, the annual listing fees for the year 2011-2012 has been paid within the prescribed time period.

Dematerialization of the equity shares

98.59% of the total equity shares of the Company are held in dematerialized form with the participants of National Securities Depository Limited (NSDL) and Central Depository Securities (India) Limited as on the date of this report.

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

Directors

Recently, the Board of Directors of your company has been reconstituted with the induction of a new Additional Director, Mr. Ramesh Chandra Jain w.e.f August 10, 2011. The appointment of Mr. Jain is upto the forthcoming Annual General Meeting and the Board of Directors commends to the shareholders, his appointment as a Director of the Company.



Mr. Anil Kumar Khanna and Mr. Pranav Kapuria, Directors of the Company, retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. Mr. Deep Kapuria, Mr. Sandeep Dinodia, Mr. Anil Kumar Khanna, Mr. P C Mathews and Mr. Anuj Kapuria are the other continuing Directors

A brief profile of the directors proposed to be appointed or re-appointed and the information pursuant to Clause 49 VI (A) of the Listing Agreement is being annexed to the Notice convening the 25th 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 recommends their re-appointment.

The report by the Statutory Auditors is self explanatory. Please refer to the Notes to Accounts wherever necessary.

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 confirms:

- a. That the applicable accounting standards have been followed in the preparation of final accounts for the year ended March 31, 2011 and that there are no material departures.
- b. 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, 2011 and of the profit of the Company for the year ended on that date.
- c. 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

- d. That the annual accounts for the year ended March 31, 2011 have been prepared on a going concern basis.

Particulars of 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.

The Conservation of Energy, Technology Absorption, Foreign Exchange earnings and outgo.

Your Company continuously strives for Safety, Environment Management and conservation of resources like fuel, water, gas and power. Therefore, emphasis is being laid on employing sophisticated techniques which result in conservation of natural resources like energy, fuel etc.

Your company gives high priority to safety which envisages a zero accident policy as the only acceptable standard of performance.

Details of Energy Conservation, Technology Absorption, Research & Development activities undertaken by the Company and foreign exchange earnings and outgo of the Company and other information in accordance with the provisions of Section 217(1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors), Rules, 1988, are given in Annexure-II, to this Report.

Corporate Governance

The Report on Corporate Governance is attached herewith in Annexure-III, and the certificate from the Statutory Auditors confirming compliance with the provisions of Corporate Governance as stipulated in Clause 49 of the listing agreement is also attached to the report.

Management discussion & analysis report

The Management Discussion & Analysis Report is given separately, forming part of this report.

Trade Relations

The Board of Directors place on record their appreciation for the co-operation and valuable support extended by the customers, the suppliers and all other persons directly or indirectly associated with the Company. Your Company regards them as partners and shares with them a common vision of growth in the future.



Public Deposits

During the year under review your Company neither invited nor accepted any deposit within the meaning of Section 58-A of the Companies Act, 1956, and rules made there under.

Personnel

The Board of Directors place on record their appreciation of the untiring efforts of the employees of the organisation at every level. The efforts to create a family like atmosphere continued through out the year. Like the many years gone-by, this year also witnessed increased cohesion among all levels of employees, which is evident from the performance of the Company. Training and Development of employees provided further impetus and have contributed towards the all round improved performance of your company.

Awards and Other Recognitions

Your directors have pleasure and feel privileged in reporting the award received by the Company during 2010-2011. The Details are provided in the Management Discussion & Analysis Report.

Acknowledgement

Your directors place on record their grateful appreciation for the assistance, cooperation and valuable support provided to the Company by Customers, Vendors, Banks & Financial Institutions and hope to continue to receive the same in future. Your Directors also record their appreciation for the commitment and dedication of the the employees of the Company.

The Board of Directors also place on record their gratitude to the shareholders of the Company for their continued support to and confidence in the management of the Company.

**By Order of the Board
For Hi-Tech Gears Limited**

**Place: New Delhi
Dated: August 10, 2011**

**Deep Kapuria
Chairman**





MANAGEMENT DISCUSSION AND ANALYSIS FORMING PART OF THE DIRECTOR'S REPORT FOR THE YEAR ENDED MARCH 31, 2011.

The Macro Economic Environment

The Indian Economy emerged with remarkable rapidity from the slowdown caused by the global financial crisis of 2008-09. The economy experienced a more balanced and positive growth, aided by a solid recovery in Agriculture and continued good performance of Industry and Services. As per advance estimates of the Economic Survey of 2010-11, the growth was strong in 2010-11 with GDP growth at factor cost being 8.5%. The Indian economy is the second highest growing economy and the robust growth of 2010-11 can be ascribed to the following:-

- Increase in Exports (in terms of USD) by 34.4% while imports have grown by 14.1% only
- Six core industries comprising of crude oil, petroleum refinery products, coal, cement, electricity and steel grew by 5.8% as compared to 5.5% during 2009-10.
- Overall growth in the Index of Industrial Production (IIP) recorded as 8.2% as compared to 5.3% in previous year.
- Manufacturing growth was 8.8% and its share in GDP was 15.9%.
- 242 million tons of the food grains produced showing our self sufficiency in Agriculture.

We are hopeful that the economy will try to match the same growth in the next fiscal also. However rising fuel, metal & mineral prices and general inflation are putting pressure on the domestic economy. Food inflation in particular has remained a cause of concern for the economy. There is a need to be alert and prepared to take proactive steps as the emerging scenario warrants, with the objective of bringing down inflation.

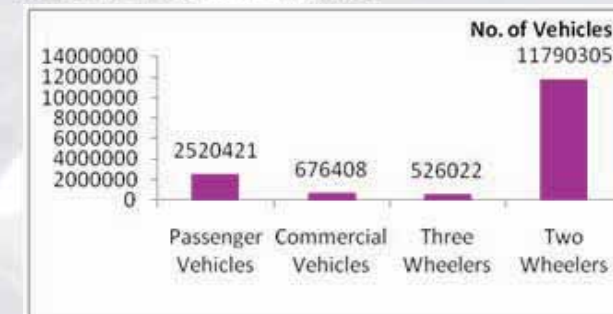
The world economy began to stabilise in the first half of the financial year 2010-11 after the aftermath of the global crisis in the previous years. Signs of recovery were clearly visible and were largely driven by the robust growth in the Emerging Market Economies. Growth in advanced countries was marginal and they continued to face uncertainty with large fiscal deficits, high public debt and high unemployment levels. However, the situation was better compared to the severe crunch faced in the prior year.

In the second half of 2010-11 the growth path was slow. Inflation and high commodity prices have re-emerged as a major concern equally in Emerging Market Economies as well as in developed countries.

World Trade

The trade growth recovered faster than the real GDP growth of the respective countries during the year 2010-11. This has been made possible, in part by the fiscal stimuli provided by the respective governments and the low base of the prior year. The extent of growth differs substantially across countries and world trade remains below its pre-crisis stage. In India, trade growth was among the best and even reached the pre crisis levels.

Industry & Segment dynamics



Domestic Sales Trends of the auto sector in 2010-11.

The Indian auto components industry has witnessed consistent growth over the last two fiscals. The factors



responsible are demand from the end user industry (i.e. OEMs), improved consumer sentiment, return of adequate liquidity in the financial system and the continuing partial fiscal stimulus provided by the Government.

Industry expects the trend of low automobile sales volume growth, and in turn the auto ancillary business growth is also to slow down in the current financial year as compared to the prior year especially for passenger cars and possibly for commercial vehicles, in view of the headwinds being faced by almost all industries today.

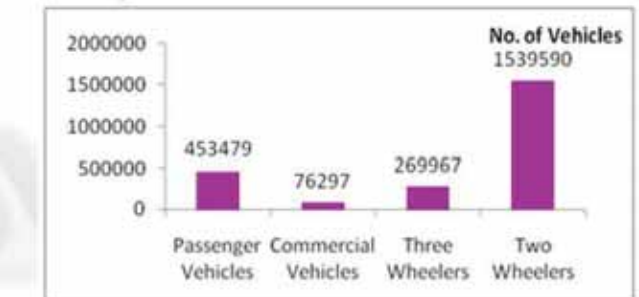
The long term prospects are however still bright and the demand will grow due to various underlying factors including India's rising per capita income, increasing rural demand, growing urbanization, swelling replacement demand etc,

Export Outlook

The year gone by proved to be encouraging for exports. The exports increased in line with the growth of the Indian economy. Even though exporters suffered due to the volatility in the exchange rate and the pressure of rising raw material cost, but the overall export remained satisfactory. The engineering exports grew at 84% in 2010-11, from US \$ 32.7 billion in the prior year



to US \$ 60.1 billion, which accounts for 25% of India's total exports.



Export Sales Trends of automobile sector

In the Auto sector, the overall export of automobiles in all categories in financial year 2010-11 is 2.34 million units as compare to 1.81 million units in the previous year, showing an increase of 29.28 percent. The major chunk in total exports remains with the two wheeler segment with 1.54 million units compare to 1.14 million units in the previous year. Due to the improved quality of the final product and competitive edge on the pricing issue the commercial vehicles' export growth rate is 69.51 percent and the total 0.27 million units. However, in passenger vehicle category the growth was very negligible.

For HGL, the financial year 2010-11 proved to be a year of significant improvement in performance. Further, HGL has penetrated the European and Latin American markets and registered total export sales of Rs. 90.03 crores with an increase of 84% as compared to export sales of Rs. 48.89 crores in the previous year. This has become possible as a result of Hi-Tech's constant endeavor to become a true 'global footprint' company.

Financial Analysis

The Company posted higher sales in the financial year 2010-11 and for the first time in its history the Company's turnover crossed the Rs. 400 crores mark. The net revenues of the Company increased to Rs. 424.93 crores as compared to 322.69 crores in 2009-10, registering an significant increase of 31.68%. This was due to rise in the sales of all the business verticals of the Company and its exports. The Profit after Tax (PAT) for the year 2010-11 was at Rs. 35.04 crores as compared to Rs. 17.85 crores in the previous year thereby registering a very impressive increase of 96.30%.

During the year the company allotted bonus shares to the existing shareholders of the Company in the proportion of 1:1 by capitalising Rs. 9.38 crores from the General Reserves. The company also paid interim dividend of 15% i.e. Rs. 1.50 per equity shares on the increased share capital. Keeping in view the financial



performance and availability of funds the Directors have further recommended a final dividend of 25% i.e. Rs. 2.50 per equity share subject to the approval of the shareholders at the ensuing Annual General Meeting resulting in a payout of Rs. 4.69 crores. The earnings per share (EPS) stood at Rs.18.67 per equity share on the increased share capital.

Risks & Outlook

There has been growing demand for the transmission auto components of the commercial vehicle segment, whereas the company has its position as a major auto component supplier to two wheeler OEMs. The Company does not treat this as risk but rather as an opportunity. In tune with this, the company has erected another plant, near the mother plant in Bhiwadi, Rajasthan and will commence the commercial production of transmission auto components for commercial as well as passenger vehicles.

Steel is the primary raw material for the products of the company, and is a very significant part of the cost of the final product. Rising steel prices continue to be a challenge and pose a threat to the margins of the company in this competitive auto component sector. The other major cost in production is energy cost. Presently the company is getting power from the State Electricity Board at Rs. 4.25 per unit and this cost is quite high.



To mitigate the risk, the Company continues to strive to improve its operational performance and develop new components, which are technologically superior and have an edge over the competitors. However, any further increase of steel prices may lead to reduction of margins. To address the energy cost, the company is implementing a process, whereby it is proposing to purchase electricity through the Electricity Exchange



by getting competitive quotes. If implemented properly, it will save considerable amounts spent on energy.

Sales Performance and profile

The company has successfully navigated through the troubled times. The sales to the major customers have shown a steady rising trend in both domestic and export segments. The two wheeler component sales grew along with the sales of the other major business verticals viz T&EC & PTU. During the year the Company has been able to consolidate on its sales with the domestic as well as foreign customers.

Internal Controls and their adequacy

The Company has a robust internal control and audit system to provide adequate assurance regarding the effectiveness and efficiency of its systems and operations. The controls are commensurate to the needs of the organization given its size and complexity of operations. The standard operating procedures ensure compliance to local regulation and statutes as applicable to the Company. Senior members of the leadership team confirm compliance and issue relevant certificates which are relied upon by the Audit Committee and the Board of Directors. The Company strictly ensures adherence to all internal control policies and procedures as well as compliance with all regulatory guidelines.

Awards & Recognitions

The Company is committed to continue the TPM journey further and won several awards and certificates during the year. HGL was honored with the International Level Gold Award from QCFC ICQCC – 2010 in Hyderabad and Chapter level Gold Award from QCFC CCQC – 2010 in Delhi. The Company was also conferred 'Excellent Award' from QCFC – 2010 in Bangalore.



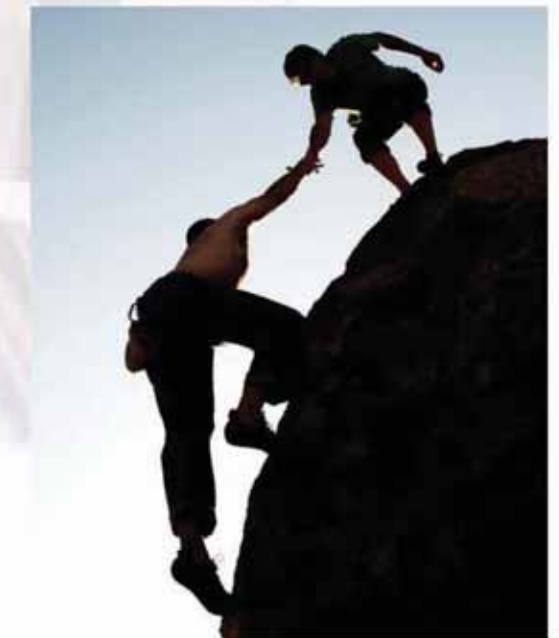
The Company has been awarded the 2nd prize in the Medium Business Category from Trident Quality Pioneer Award in North West Quality Tech Awards held in Chandigarh. The recognitions were made possible due to the total commitment of the management and active participation of all employees of Hi-Tech group.



Keeping in pace with the future growth of the auto component segment of the automobile industry HGL has set up another state of art plant in Bhiwadi, Rajasthan. This facility is unique in its sense and has been built as an 'ECOFAC Plant', i.e. a sustainable green manufacturing plant and is registered with the Indian Green Building Council as a pilot project and has all the features of safety and energy & water conservation, waste management etc.

Human Resources

Human resources being one of the most important factors of production, the company is initiating measures





towards competence and overall development of people at all levels to be future ready. In doing so, the Company is organising indoor & outdoor programs for their continued learning. The learning is not only for the benefit of the Company, but it is for the overall development as a human being.

During this year also, the Company continued to maintain its track record of peaceful industrial relations ever since its inception. It sustains and fosters its unique paternal culture across all operating locations. Several health and safety initiatives are introduced as part of a structured program to enhance the safety and health of its workmen and other associates. Performance measurement and skill up gradation programs are widely deployed within the Company

Segment Reporting

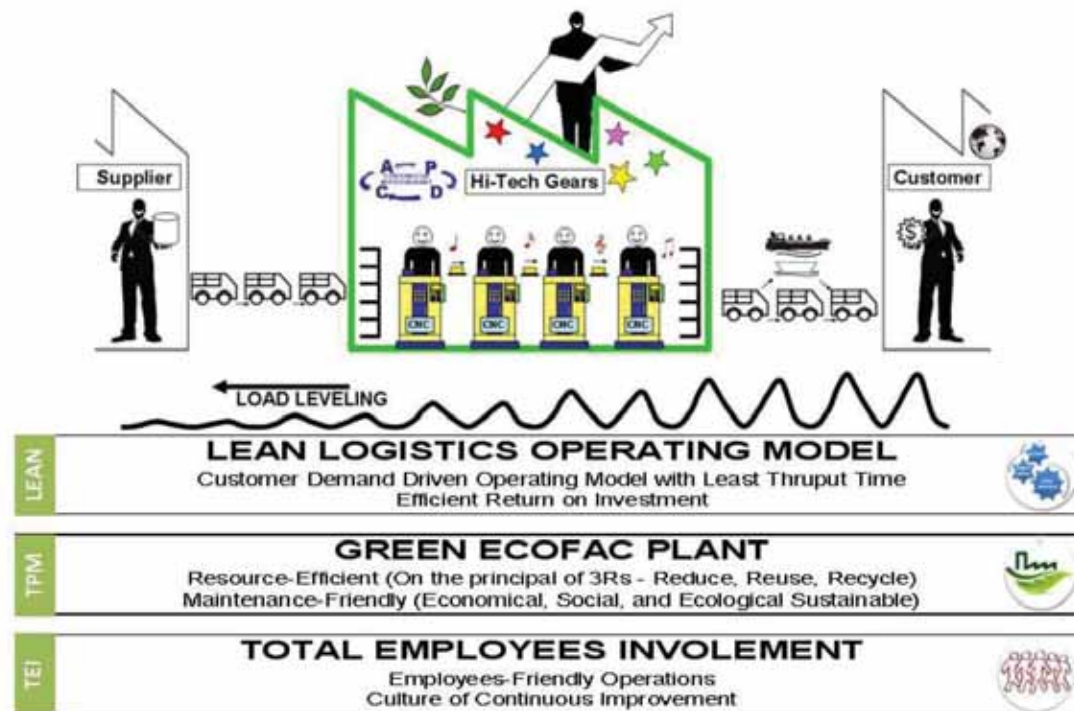
The Company is primarily engaged in the business of gears and transmission components. The inherent nature of both the activities is governed by the same set of risk and returns; hence these have been grouped as a single segment. The said treatment is in accordance with the principle enunciated in the Accounting Standard on Segment Reporting (AS – 17).



Disclaimer

This report contains certain statements that the Company believes and may be considered as forward looking statements. These forward looking statements may be identified by their use of words like 'plan', 'hope', 'will', 'expect', 'aim' or such similar words or phrases. All such statements are subject to risks and uncertainties which could cause actual results to vary materially from those contemplated by the relevant forward looking statements.

New Plant Philosophy



CORPORATE SOCIAL RESPONSIBILITY

The company is conscious of its corporate social responsibility (CSR) and takes initiatives for development of the community and society. We at Hi-tech Gears Limited ('HGL') assume the responsibility to act in a socially responsible manner. Our business activities are not only related to legal compliances but also to ethical values, respect for people, community and environment.

Societal Responsibility

HGL has taken many initiatives for improving and enriching the lives of people in our society at large. One such initiative is the continuous improvement and development of its adopted ITI at Hatin situated in Tehsil Tauru, Distt. Sohna, Gurgaon. The management has understood that education is the first move towards the betterment of society and with this view has taken the following measures during the year under review:

A 100 KV Silent Generator is provided

- Security lights are provided for the campus
- Tube lights and fans are provided for the classroom to enable the students to study comfortably.
- Sufficient School furniture has been provided
- Financial aid provided for construction of bore well and girls rest rooms.
- Purchase of water cooler, RO System and Water Tank for the provision of clean drinking water.

In addition to above, the following IT initiatives were also taken:

- One dedicated Computer cabin was provided for Auto Cad.
- Purchase of LCD Projector, DVD Player, Teaching modules and reference Books.
- Launching a web site for the ITI being planned.

To deal with the in-depth requirement of social & educational needs, HGL is influencing its employees and customers to become socially responsible. On August 5, 2010 a blood donation camp was organised at Bhiwadi Plant in association with Bharat Vikas Parishad and Rotary Club to mark the birth day of our Chairman Mr. Deep Kapuria, in which 101 unit blood was donated. Senior Officers from the local Administration and Police also attended the camp organised by the company. The local media gave due coverage and appreciated the efforts made by the Company.

