

passion to succeed



passion | innovation | technology



THE HI-TECH GEARS LTD.

ENGINEERING

MANUFACTURING

ROBOTICS

ENGINEERING  
CONVERGENCE  
SOLUTIONS FOR  
A LEAN WORLD

32<sup>nd</sup> Annual  
Report

2017-2018



THGL next

## 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.

The financial statements are mentioned in lakhs unless specifically mentioned. Similarly, The Messages & Directors' Report together with its Annexure are the statement of the financial figures, hence are provided in Rupees in lakh, unless specifically mentioned.

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

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**Corporate Office**

14th Floor, Tower – B,  
Unitech's Millennium Plaza,  
Sushant Lok – 1, Sector – 27,  
Gurgaon, Haryana – 122009  
Tel : (0124)4715100, Fax : (0124) 2806085,  
Email : secretarial@thehitechgears.com

**Registered Office & Works**

A-589, Industrial Complex,  
Bhiwadi – 301019, Dist.  
Alwar, (Rajasthan),  
Tel: (01493) 265000/265199

**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)

**Plants of subsidiary companies****Teutech Industries Inc.****Plant I**

361, Speedvale Avenue W,  
Guelph, ON N1H 1C7, Canada

**Plant II**

265, Massey Road,  
Guelph, ON N1K 1B2, Canada

**Teutech LLC**

227, Barton Street, Emporium,  
PA, 15834, USA

**Bankers**

Standard Chartered Bank  
Citi Bank N.A.  
State Bank of India  
ICICI Bank Ltd.  
Kotak Mahindra Bank

**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  
302, Third Floor, Gagandeep Building,  
Rajendra Place, New Delhi-110008

**Board of Directors**

Mr. Deep Kapuria  
Executive Chairman

Mr. Anil Kumar Khanna  
Independent Director

Mr. Pranav Kapuria  
Managing Director

Mr. Sandeep Dinodia  
Independent Director

Mr. Bidadi Anjani Kumar  
Director

Mr. Vinit Taneja  
Independent Director

Mr. Anuj Kapuria  
Executive Director

Mr. Prosad Dasgupta  
Independent Director

Mr. Krishan Chandra Verma  
Independent Director

Mr. Ramesh Chandra Jain  
Director

Mr. Anant Jaivant Talaulicar  
Director

Ms. Malini Sud  
Independent Director

**Key Managerial Personnel**

Mr. Vijay Mathur  
Chief Financial Officer

Mr. S. K. Khatri  
Company Secretary

**Statutory Auditors**

M/s O.P. Dadu & Co.  
Chartered Accountants  
24/4834, Ansari Road, Darya Ganj,  
New Delhi – 110002.

**Internal Auditors**

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



THE HI-TECH GEARS LTD.

# MILESTONES

1986 Down The Years 2018

- 1986 Incorporated as a Public Limited Company
- 1988 Production Commencement & became single source supplier to Hero Honda
- 1989 Product Indigenization
- 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 Launches Initiative of Lean Manufactured
- 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/Productionsing Precision Components for Robert Bosch, GM, Volvo and Daimler Chrysler
- 2005 State-of-the-art New Manufacturing Facility set up at Manesar
- 2007 Hi-Tech eSoft (division of HGL) Certified for ISO 9001:2000
- 2008 ACMA Export Award 2006-07
- 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 changed to "The Hi-Tech Gears Ltd."
- 2017 Acquisition of Teutech Industries INC, Canada and Teutech LLC, USA.



# CUSTOMERS





## Chairman's Message



Dear Shareholders,

As I write my message to you this year, the economic environment seems to be changing almost on a daily basis and the emerging markets are affected most of the volatility. The FY 2018 was eventful and challenging in terms of both the global and domestic scenarios.

I have the pleasure to inform you that your Company has done exceedingly well in many spheres in the previous year, despite a very challenging environment. Firstly, it has both increased and diversified its production capacity through significant capital expenditure in both core and strategic areas to prepare for the future. Secondly, it has proved its excellence in cutting edge innovation and technology to cater to both its domestic and international clients. Thirdly, we successfully reached North America by crossing the geographic barriers through successful acquisition of some entities in Canada and the US.

### Global and Domestic Economic Affairs

The World Economy has experienced significant volatility in the past few years and the period under review continued to be very challenging due to numerous such macro-economic factors, some of which are briefly discussed below.

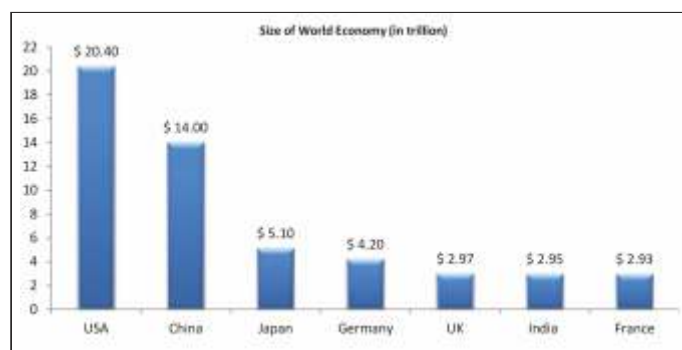
World economic growth strengthened in 2017 to 3.2%, with a notable rebound in global trade. It was driven by an investment recovery in advanced economies, continued strong growth in emerging Asia, a notable upswing in emerging Europe, and signs of recovery in several commodity export countries. The upsurge was more pronounced in emerging market and developing economies (with trade growth rising to 6.4% in 2017), reflecting improved investment growth rates in formerly stressed

commodity exporters as well as the recovery.

Global growth is expected to tick the same growth this year and next, supported by similar momentum, market sentiment, accommodative financial conditions, and the domestic and international repercussions of expansionary fiscal policy in the United States.

According to data from the IMF, the United States has the largest economy in the world at \$20.4 trillion. China follows, with \$14 trillion and Japan is in third place with an economy of \$5.1 trillion.

Two European countries take up the next places on the list: Germany is fourth, with a \$4.2 trillion economy, the United Kingdom is fifth with \$2.94 trillion. It is heartening to note that India has recently surpassed France and has become the sixth largest economy with around a strength of \$2.90 trillion.



The US Economy constitutes & occupies the first slot in world business and dominates the growth of the world economy. I will give my take on the US Economy and other economies in the below paragraphs.

The US Economy has continued to grow steadily, perhaps not as fast as some would prefer but swiftly enough to continue to create jobs at a significant rate. Business investment is slowly picking up, and financial conditions appear good, with market volatility measures unusually low. It grew 2.4% in 2017, mostly because of the major tax reforms announced by the Trump Government. The Economy will enjoy a mild cyclical rebound in 2018, & then return to a marginally average growth but jobs are increasing at a moderately good pace, with unemployment below record at 4%. The strongest part of the US GDP reports has been consumer spending, up 3.8 % over the past 12 months, resulting in a minuscule drop in the savings rate. Consumer attitudes are stable at a good level, a bit above the long-run average.

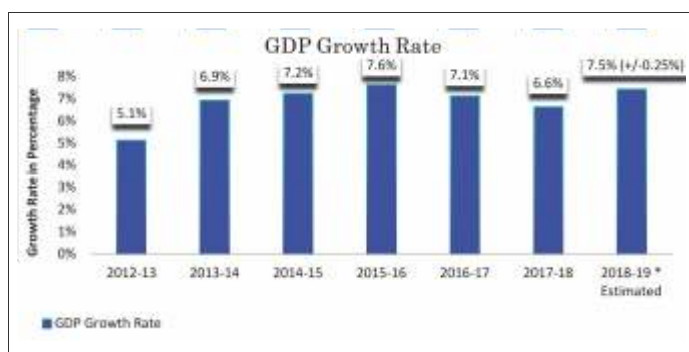
On the other side, the exceptional domestic momentum has so far been unmarred by signs of moderate growth in key trading partners. Although recent tariff measures will likely have minimal impact, the increasingly likely escalation of the dispute with China into a trade war is a major downside risk, which could weigh on business sentiment and investment. Faster monetary policy tightening, and high fiscal deficits may further dampen growth in the medium-term.

Emerging Asia, which is forecast to continue growing at about 6% in 2018, remains the most important engine of global growth. In China, growth is projected to soften



slightly from 6.8 % in 2017 to 6.6 % in 2018 and 6.4 % in 2019. Over the medium term, the economy is projected to continue rebalancing away from investment toward private consumption and from industry to services. Today the Chinese economy is the second largest in the world and it experienced massive growth in the last many years. To avoid overheating the economy, authorities are conducting a managed slowdown, which has seen growth gradually slow down year after year since 2014.

At the domestic front, growth in India is projected to increase from 6.6 % in FY 2018 to 7.4 % in FY 2019 and 7.8 % in FY 2020, lifted by strong private consumption as well as fading transitory effects of the currency exchange initiative and implementation of the national goods and services tax. Over the medium term, growth is expected to gradually rise with continued implementation of structural reforms that raise productivity and incentivize private investment.



From 2003 to 2007, India experienced high growth rates of around 9% annually before moderating in 2008 as a result of the global financial crisis. In the following years, India began to see slow growth due to international slowdown, a plunging rupee, a persistently high current account balance and slow industry growth. However, the economy has since bounced back as the stock market has boomed and the current account deficit (CAD) has decreased.

With the same growth expected, India is projected to overtake the UK economy in 2019 to become the fifth largest economy in the world with a nominal GDP of around USD 3 trillion.

India's per capita income grew at a marginal pace of 8.6% to Rs 1,12,835 during the current fiscal compared to Rs 1,03,870 in FY 2017. Foreign exchange reserves also touched the highest ever level of about US \$ 426.08 billion and the total FDI Investments India received in FY 2017-18 was US \$ 61.96 billion compared to US \$ 60.1 billion in the previous year indicating a nominal increase of 3%. This also indicates that the government's effort to improve ease of doing business and relaxation in FDI norms is yielding results.

However, since the previous year, the price of Indian basket of crude surged from around US\$ 60 a barrel to US\$ 78. This, along with an increase in other global commodity prices and recent global financial market developments, has resulted in a firming up of input cost pressures. On the other hand, food inflation has remained muted over the past few months and the usual seasonal pickup delayed, softening the projections in the short run.

To add more woes, India's crude oil production has fallen continuously for at least six years in a row. The crude oil production, which was 38.1 million metric tons in FY 2012, slumped to 35.7 million metric tons provisionally in FY 2018, hence we have to spare more funds to buy oil from overseas. Besides adversely impacting the economic growth and inflation, persistent high oil prices remain a key risk to the CAD.

China and the US are spiraling into an ever-worsening conflict over trade, as each side threatens to slap retaliatory tariffs on hundreds of billions of dollars worth of goods. The US has announced tariffs on Chinese products from steel to electronics, and China has hit back with tariffs on American products from cars to seafood. President Trump argues that the tariffs are a necessary response to unfair Chinese trade practices, including the theft of intellectual property from American firms. China denies the accusations. A full-blown trade war would damage both economies and could spill over to other countries & regions, including India, South Korea, Japan and Europe.

The tariff war led by the US has also given rise to concerns of safe haven fears. This has led to outflow from emerging markets (Ems), including India. So far this year, around \$7 billion of funds have flowed out of India.

The rupee has hit historic lows against the dollar in recent weeks, leading to widespread expressions of concern about what that means for the Indian balance of payments and the economy more generally. In my view, some of these concerns are exaggerated, and there is no need to panic. India's external accounts look far more secure than it used to be. The current account deficit, too, remains manageable. While so far the merchandise trade deficit has been adequately financed in part by payments for service remittances as well as strong capital inflows. Further, it is worth noting, thus, that the Indian rupee's depreciation is not out of line with what can be observed to be happening with many emerging market currencies.

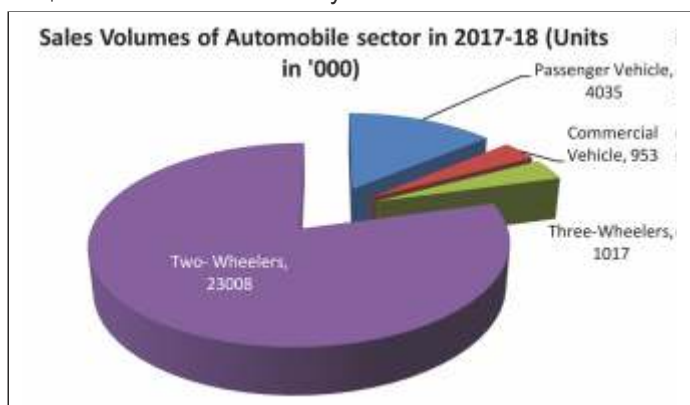
Yet the consequences of rupee depreciation need to be thought through carefully. This might hamper the growth recovery in short run and worry about the trade deficit and widening CAD.

#### Indian Automotive Sector and our Future Outlook

The Indian automobile industry is closely linked to the country's Gross Domestic Product (GDP) growth and accounts for 7.1% of the GDP. It also contributes to nearly 22% of the country's manufacturing GDP. The industry is one of the largest in the world with an annual sales of 29.01 million vehicles in FY18, registering a growth of 14.48% over the last year. The automobile sales in India have grown at a compounded annual growth rate of around 14.22%, average 25 million vehicles in a year, over the period of FY11-FY18 and has become the fourth largest in the world. India is currently the sixth largest market in the world for cars and is expected to become the world's third-biggest car market by the year 2020. Other facts about the Indian automobile market achievements are that this is the largest tractor manufacturer. It occupies the position of the 2nd largest two wheeler (2W) and bus manufacturer.



The automobile industry is supported by various factors such as availability of skilled labour at low cost, robust R&D centres and low cost steel production. The industry also provides great opportunities for investment and direct and indirect employment to skilled and unskilled labour. At the same time, in order to keep up with the growing demand, several auto makers have started investing heavily in various segments of the industry during the last few months. The industry has attracted Foreign Direct Investment (FDI) worth US\$ 209 billion in the last few years.



The Two Wheeler segment dominates the market in terms of volume owing to a growing middle class and a young population. Another important milestone is that the premium motorbike sales in India crossed one million units in FY18. Moreover, the growing interest of companies in exploring the rural markets further aided the growth of this sector.

India is also a prominent auto exporter and has strong export growth expectations for the near future. Overall automobile exports from India grew at 6.86 per cent CAGR between FY13-18. In addition, several initiatives by the Government of India and the major automobile players in the Indian market are expected to make India a leader in the two wheeler and four wheeler segment in the world by 2020.

The auto industry is set to witness major changes in the form of electric vehicles (EVs), shared mobility, Bharat Stage-VI emission and safety norms.

Just few days ago, a news item appeared in a leading newspaper, which demonstrated that not only the Automobile manufacturers, but the component suppliers are also flourishing because of the booming automobile growth. Traditionally, promoters of original equipment manufacturing companies (vehicle makers) have figured in the list of automobile billionaires. However, growth of this industry is now bringing newer faces from the auto component sector. Based on the value of shareholding of promoters in these companies they are now worth over \$1 billion.

A lower base in the previous year's quarter and likely good results select companies in sectors such as automobiles, capital goods, FMCG, IT and metals should help the Nifty 50 companies to report a double-digit growth in aggregate sales and profits in 2018-19.

### Company Performance and Strategy

After the successful acquisition of some entities in Canada and the US, your Company is no longer confined only to its domestic manufacturing facilities, but has made its presence

felt globally. Your Company is confident that exposure to a global environment will lead to strong growth opportunities. In the years to come your Company plans to further expand its Global presence in new areas, always keeping the customer requirement at the centre of its growth plans.

All possible steps are also being taken within the organization to maintain and further improve operating standards and achieve excellence at every step. As part of our strategy, the company continues to give special attention to maintain a strong Balance Sheet and healthy financial ratios, as you will see in the attached audited statements.

Your Company has made its mark as a leader of sustainable manufacturing. Our state-of-the-art Plants are operating to their capacity now while minimizing wastes and pollutants. This phenomenon has attracted several recognitions from the top assessing agencies, which are enumerated elsewhere in this Annual Report. Therefore, your Company is today a respected name in the industry for its competitive and cutting-edge products, which is a result of its farsighted vision and policies.

To summarise the financial results for the year FY 2018, I must mention that there was significant growth in all the key areas; resulting the robust growth was demonstrated. The total turnover of the Company grew by 17.62 % and touched Rs. 55157.06 lakhs. As a result of this and our enhanced operating efficiencies, the profit before tax grew even higher to Rs 4838.74 lakhs and the profit after tax stood at Rs. 3191.24 lakhs. While consolidating the financials of the Company with the subsidiary Companies in the US and Canada, the consolidated total turnover stood at Rs. 77949.10 lakhs .The Company has shared the gains among the shareholders by declaring an interim dividend of 15%. Your Board of Directors have further reviewed the cash position of the Company and have recommended a final dividend of 20% for your approval, thus taking the total to 35% of share capital with a payout of Rs. 656.88 lakhs.

The vedic philosophy of "Sarva loka Hitam" i.e. "the well being of all", has regained importance in the current business environment. CSR is one of the noble practice of doing "Hitam". We have been taking up deep impacting initiatives in line with, what is required to be done as a responsible citizen of the Society. To exhibit the commitment your Company has contributed Rs. 62.25 lakhs in the betterment of the society during the FY 2018 which is in line with the CSR Regulations. Similarly, to show our commitment towards a Clean Environment and green manufacturing, our ECOFAC Plants have been awarded the Platinum level of certification by the Green Building Council.

Before concluding, 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 despite all odds. My sincere thanks to all our customers, our supply chain partners, our bankers, and my Board colleagues for their wise guidance from time to time. I am confident 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 and update you through this 32nd Annual Report. The FY 2018 was challenging for the entire economy. The year saw unprecedented currency volatility and increasing fuel prices leading to increasing pressure on margins. Still, the performance of the Indian Economy has proved to be satisfactory in many spheres with an improvement in the macroeconomic parameters. This was made possible despite many concerns being raised about the global economic environment. Your Company has also grown in line with the automotive industry's growth. To understand this impact better, it will be essential to first get a proper understanding of the macro-economic scenario.

### Macro-Economic Updates

Despite recent softening, global economic growth is satisfactory at 3.2 % in 2017 before slowing gradually over the next two years, as advanced-economy growth slightly decelerates and the recovery in major commodity-exporting emerging market and developing economies levels off. Activity in advanced economies is expected to grow 2.2 % in 2017.

This outlook is subject to considerable downside risks. The possibility of disorderly financial market volatility has increased, and the vulnerability of some emerging market and developing economies to such disruption has risen. Trade protectionist sentiment has also mounted, while policy uncertainty and geopolitical risks remain elevated. Increasing petroleum products and heightened geopolitical tensions continue to cloud the outlook.

A cyclical recovery is underway in most EMDE regions that host a substantial number of commodity exporters. Over the

next two years, the upturn in these regions is expected to mature, as commodity prices plateau. Robust economic activity in EMDE regions with large numbers of commodity importers is forecast to continue. However, risks to the growth outlook continue to tilt to the downside in many regions.

India has emerged as the fastest growing major economy in the world. Another feather to add to its glory that it has recently surpassed France to become the sixth largest economy. As per the CSO and IMF it is expected to be one of the top three economic powers of the world over the next 10-15 years, backed by its strong democracy and partnerships. India's GDP has grown by 6.6 % in FY 2018 and is expected to grow 7.4 % in FY 2019.

With the improvement in the economic scenario, there have been various investments in different sectors of the economy. The M&A activity in India increased 53.3 % to US\$ 77.6 billion in 2017 while private equity (PE) deals reached US\$ 24.4 billion. Some of the important recent developments in the Indian economy are as follows:

- India's total merchandise and services exports and imports grew 17.63 % and 19.74 % on a year-on-year basis to US\$ 478.15 billion and US\$ 565.32 billion, respectively, during FY 2017-18.
- India's FDI inflows reached US\$ 208.99 billion in the last four years.
- India's ranking in the world has improved to 126 in terms of its per capita GDP, based on purchasing power parity (PPP) as it increased to US\$ 7,170 in 2017, as per the IMF.
- In Ease of doing business, India stood at rank 100.
- The tax collection figures between 2017- 18 show an increase in net direct taxes by 19.5 % year-on-year.
- India has retained its position as the third largest startup base in the world with over 4,750 technology startups, with about 1,400 new start-ups being founded in the last few years.
- India's labour force is expected to touch 160-170 million by 2020, based on the rate of population growth, increased labour force participation, and higher education enrolment, among other factors.
- Corporate earnings in India have grown in double digit and are expected to grow by 15-20 % in FY 2018-19.
- India's unemployment rate is expected to be 3.5 % in 2018, according to the ILO.

The Union Budget for FY 2018-19 is now focusing on uplifting the rural economy and strengthening of the agriculture sector, healthcare for the economically less privileged, infrastructure creation and improvement in the quality of education of the country. As per the budget, the government is committed towards doubling the farmers' income by 2022.

It is important to mention that the price of crude oil is hovering around US\$ 78. This, along with an increase in other global commodity prices and recent global financial



market developments, has resulted in a firming up of input cost pressures. As oil consumes a big chunk of foreign exchange, the net impact of such rise was immediately on foreign exchange reserves which decreased to \$ 405.14 billion in July 2018. From a comfortable reserve of \$422.53 billion in March, 2018. Further, India's annual inflation rate rose to 4.10 % in July of 2018, slightly above market expectations, amid rising prices for food and fuel.

India is caught in a double whammy. It is not only effected by the rising crude oil prices, but also is subjected to depreciation of its currency, due to inflatory pressures and trade war between the US & China.

The Indian rupee was one of the best performing emerging market currencies. It appreciated to 64.38/USD in 2018. However, with the crude price strengthening and capital flows dwindling, the Indian rupee is a negative-performing emerging market currencies in 2018 and is now quoting around 70/USD.

On the monetary side, the RBI raised its benchmark policy repo rate by 50 bps to 6.50 % in two of its recent reviews. It is the first hike in borrowing costs since January of 2014, mentioning upside risks to inflation that include higher oil prices and uncertainty in global financial markets. Policymakers said the decision is consistent with a neutral monetary policy stance and is in line with achieving the inflation target of 4 % (+/- 2 %) while supporting growth.

On the other side exports increased but, trade deficit was estimated to have widened to \$157 billion, majorly because of the import of oil at high rates.

Another reason to worry is the financial situation of the banking system. Under the current macro economic environment, the gross non-performing asset (GNPA) ratio of scheduled commercial banks is 11.6 % in March 2018. This may further rise to 12.2 % of the advances by March 2019. The March 2019 level would be the highest since 2000.

Due to the aforesaid reasons, the Government had to spend more than budgeted amount, hence the fiscal deficit target for 2018 was revised to 3.5% of the GDP against 3.2%.

On the tax collection side, a year after its roll out, the Goods and Service Tax (GST) is now doing satisfactorily. It is undeniable that the GST has been the most complex reform to achieve for many reasons. One, it merged 17 taxes and 23 cesses in 35 states and UTs, requiring a complete reset of one of the world's largest economic systems. The GST council deserves full credit for achieving, albeit practically, this seemingly impossible task. Two, a key concern for the states was the possible loss of revenue but the monthly GST collections are now increasing. This will stabilise the GST regime as both the Centre and states will meet their revenue targets. Three, another big improvement due to the GST has been the expansion of the tax net. According to the Government, 4.5 million new entities have come under the tax net, which is a creditable achievement for any system in its first year.

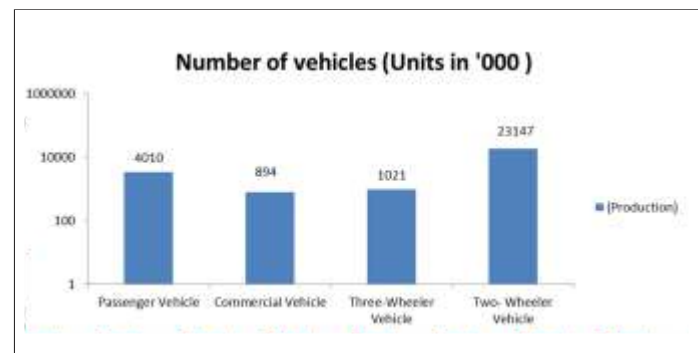
On the other side, as per the recent news report, manufacturing conditions improved in June owing to the

sharpest gains in output and buoyancy in new orders. It touched a six month high in June 2018, which indicates that despite the concern areas the economy is on the right track.

### The Automotive Sector

The Indian auto industry is one of the largest in the world. It is poised to become the fourth largest manufacturer of automobiles globally by 2020 after China, the US and Japan. Not to mention, India is currently the world's second largest two-wheeler manufacturer.

The automotive manufacturing industry which comprises of commercial vehicles, passenger cars, three & two-wheelers produced a total 29,075,605 vehicles, in April-March 2018, against 25,330,967 vehicles in April-March 2017, registering a growth of 14.78 % over the same period last year, according to a data released by SIAM.



Passenger Carrier sales registered a growth of 33.23 % and Goods Carrier sales grew by 8.78 % in April-March 2018 over April-March 2017. Two Wheeler sales registered a growth of 15.44 % in April-March 2018 over the same period last year. In April-March 2018, overall automobile exports increased by 16.12 %.

Two-wheelers are by far the most popular form of vehicle in India, taking an 80 % share in total chunk and recorded 23.07 million two-wheelers in FY 2017-18 (including exports).

As per the recent sales report of the first 4 months of the current FY, it is observed that the motorcycles are back in action, taking away some of the limelight that scooters had been hogging for several years. Further, automobile majors are expected to report a strong double-digit profit growth for the first quarter ended June on the back of strong volume growth as well as improved margins, despite the fact that the first quarter is usually a slow quarter for the auto industry and demand picks up from the second quarter onwards when dispatches are stronger due to festive season demand. A normal monsoon and announcement of a higher farm support price also augurs well for automobile sales, especially two-wheelers and tractors.

On the Auto-component side, the production in FY 2018-19 is expected to increase 12-14 %, on the back of robust growth in domestic and export markets & favorable government policies such as Auto Policy 2002, Automotive Mission Plan 2016-2026, National Automotive Testing and R&D Infrastructure Projects (NATRIPS), have helped the Indian auto component industry achieve considerable growth.



India is emerging as a global hub for auto component sourcing. A cost-effective manufacturing base keeps costs lower by 10-25 % relative to operations in Europe and Latin America. Relative to competitors, India is geographically closer to key automotive markets like the Middle East and Europe. Global auto component players are increasingly adopting a dual-shore manufacturing model, using overseas facilities to manufacture few types of components and Indian facilities to manufacture the others.

### Performance of the Company

Your Company is one of the few industrial enterprises which has become a world-class Indian brand with a green and sustainable strategy of growth, despite an increasing volatile economic and business environment. Besides being cost competitive, delivering to strict schedules and adhering to high quality standards are the main keys of success for auto component manufacturers, especially to enter into and grow export markets. Your Company possesses all the above skills and is appreciated by customers all over the world. Keeping this in mind, your Company is today exploring new avenues of further inorganic growth by way of mergers and also tapping new geographies, such as Canada and the US, due to the high potential available in such markets.

During FY 2017-18 we made continued progress across several areas. Your Company met all expectations and did well on all fronts, including exports. The total turnover stood at Rs. 55157.06 lakhs compared to Rs. 49783.83 lakhs during the previous year. The Company recorded an export turnover of Rs. 13043.82 lakhs compared to Rs. 10517.53 lakhs during the previous year.

The Profit Before Tax stood at Rs 4838.74 lakhs as compared to Rs 3257.94 lakhs in the previous year. The Net Profit After Tax was Rs. 3191.24 lakhs as compared to Rs 2087.57 lakhs in previous year. Earnings Per Share (EPS) of the Company stood at Rs 17.00 per share.

Post consolidation with wholly owned subsidiaries, the turnover stood at Rs. 77949.10 lakhs compared to Rs. 52141.18 lakhs during the previous year. The consolidated financials of the Company with its subsidiaries are attached to this Annual Report.

Recognizing the importance of sharing the gains with the shareholders, who have placed their funds and trust in the Company, a final dividend of Rs. 2.00 per equity share is recommended by the Board of Directors, in addition to the interim dividend of Rs. 1.50 per equity shares for the year 2017-18.

The Board is competent with both executive and non executive directors possessing a wide range of expertise. The Board has continued its role to monitor the performance of the company, 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 by adopting the right mix of both organic and inorganic growth strategies.

Turning to safety, our goal is to have zero fatalities and no leaks or other incidents that harm our employees, contractors or neighbors. We manage safety through rigorous processes and by embedding a safety culture in the daily activities of our workforce, as no company can afford to be complacent in this area. Our Manesar facility is also now an ECOFAC Plant and has been awarded the Platinum Status by the Green Building Council.

The future of the Company is full of opportunities and promising despite headwinds being faced by almost all industries today. I am happy to share that we will have our South India footprint by having a state of the art manufacturing facility in Tamil Nadu, in the coming period.

In respect of internal controls, your Company has been working with M/s. Grant Thornton India, LLP, Internal Auditors of the Company with the objective of strengthening internal controls, improving internal processes and they have been reporting to the Audit Committee of the Board regularly every quarter. Further, to have better and sustainable controls, a new ERP system was implemented last year, which is working satisfactorily and generating better and prompt MIS for effective controls.

Further, I am pleased to inform you that the journey of growth, which began in a small way, has been gathering momentum with each passing year, adding new dimensions and ventures in different geographies. In this eventful journey, each year has been packed with achievements that underline our committed performance.

In conclusion, I must mention that the Hi-Tech family shares the credit for this success story with all its stakeholders, i.e. our valued customers, our supply chain partners, our employees, our bankers and the various Government authorities who have supported us at every step. Our commitment to you, our valued shareholders, is to maintain our long term strategic growth path I would like to take this opportunity again, on behalf of the Board of the Company and its employees, to express my gratitude to you, for your continued support and encouragement year after year.

**Pranav Kapuria**  
**Managing Director**

