



Chairman's Message

Dear Shareholders,

Economic State of Affairs of India

The last financial year has been a remarkable year for the country's economy. The nation crossed the trillion dollar mark, at the rate of a steady 9.4%. Foreign Exchange reserves also saw tremendous growth, from \$142 billion in 2005-06; it closed at \$173.1 billion in 2006-07. The FDI flow has also witnessed a quantum jump closing at \$19 billion. The Manufacturing sector has continued to experience growth at 12.3%.

However, year 2007 started with on a challenging note. The shifting of the rupee dollar conversion has affected Business in more than one ways. It goes without saying that this sudden shift affects Exports across the cross section directly. Added to this the measures for controlling inflation through restriction of Money supply by the RBI has also become an impediment in the ever changing market scenario, which includes the rising CRR and putting newer restrictions on ECB's and FCCB routes.

Industry in India and Hi Tech strategy for the future

One of the most imminent reasons for the shift of the Auto market to Asia has been the Outsourcing of production by the OEM's and Large 1st Tier Suppliers to focus on Low Cost Country (LCC) suppliers. Dismantling trade barriers, which in return leads to access of global capacities, also gave an opportunity for the OEMs to access more production bases in Asia for their global sourcing. India as one such LCC is still coming to terms with the requirements that are demanded by OEM's and Large Tier 1 companies.

As I had the honor of chairing the Working Group on International Business (Exports) for the Automotive Mission Plan 2016 of the Government of India I had the unique opportunity of having a look at these challenges from up close.. Among other issues that have been addressed in this mission statement one of the foremost aspects is to achieve export revenue of \$35 billion in 2016 from \$4.1 billion at present. This is an ambitious target and the road ahead is fraught with many variables, some of them fraught with volatility.

Principle among these are volatility in the international market along with stricter commercial terms. The

hardening of commodity prices is not an Indian phenomenon, but is happening globally. The major challenges that the auto industry is presently facing is with respect to its capability to innovate and upgrade. This might look difficult to achieve but is a crucial aspiration for the Auto components industry.

OEM's and large Tier I companies have gathered huge momentums to look at opportunities in India. Today not only have they begun to understand what it means to operate from India but also have an upper hand in deciding how one should operate in India, because of deep pockets and a vast data base of experience derived from operations set up in similar emerging economies. This exposure has not only help them to set up JV's with Indian companies but also many are setting up shop here.

The confluence of all this is has seen the cost paradigm of operating in Indian Industry transform. On one hand with globalization and imports are threatening to drive business out and on the other hand the liquidity flow in the country is driving up the cost of the already inadequate infrastructure available. The Free Trade Agreements have opened the Indian markets without putting domestic reforms in place: thus creating a mismatch in the speed to assimilate the global economy. As a resultant it is tempting to put the notion of India as an LCC destination under the scanner.

The need for being quick is now here as never before. In spite the steep challenges, and the hardening of the rupee along with reduced rates, two things remain constant:

a) Faith in the Indian Economy

The countries economy is growing at a stable rate of 9% annually. The growth drivers are intact with factors such as a higher GDP growth, the ongoing endeavors of the Public Private partnership for improving infrastructure, greater liquidity, and last but not the least the advantage of having a safe democratic system of governance.

b) Indian Business Environment would emerge into the global volatility

Gradually but surely the Indian Business environment is becoming more global and competitive. With higher international operations comes higher product liability/ greater sensitivity to the customers/ shorter business

cycles and cost pressures on account of international movements - the business of manufacturing in India would have to contend with questions of international technology/ cost competitiveness and Brand recall.

There is still value for a technology embedded manufacturer who is alive to the realities of the shop floor, with a sharp eye to the cost structures. With this faith we at Hi-Tech Gears have chosen an aggressive stance in exports even in the face of a hardening rupee and higher risks. We aspire to :

- 1) Build Hi-Tech as a Global Brand.
- 2) Update and achieve Global standards of Technology to keep in pace with Global Requirements.
- 3) Validate Cost Structures in the International market place.

Company Performance

The financial year 2006-2007 has ended on a upswing for the company. Your company surpassed the budgeted turnover and has achieved a turnover of Rs.29,987.34 Lacs (Previous year 22,535.07 Lacs), recording an increase of 33.07%. The Net Profit (After tax) of the company has been increased from Rs. 553.36 Lacs to Rs. 833.08 Lacs, recording an increase of 50.55 % as compared to the previous year. As is evident the company's effort on war against waste is gathering momentum.

The final dividend of Rs. 1/- per equity share has been recommended in addition to interim dividend of Rs. 1.5/- per equity share for the year 2006-2007."

We at HGL have a *Passion to Succeed*, and being the largest independent transmission manufacturing company of the country, I would like to compliment the entire Hi-Tech family for their dedicated and relentless hard work in achieving the success of the year that has gone by.

As, I conclude I would like to thank our business partners for their continued belief and faith in Hi-Tech's endeavors, and being part of Hi-Tech's growth story.

Deep Kapuria
Chairman & Managing Director

