



17TH ANNUAL REPORT 2003-2004



BHARAT SEATS LIMITED

BHARAT SEATS LIMITED

BOARD OF DIRECTORS

| | |
|-------------------|---|
| N. D. RELAN | <i>Chairman</i> |
| SHINICHI TAKEUCHI | <i>(Nominee-Suzuki Motor Corporation)</i> |
| C. K. DAVE | <i>(Nominee-Maruti Udyog Ltd.)</i> |
| ROHIT RELAN | <i>Managing Director</i> |
| AJAY RELAN | <i>Director</i> |
| P. K. LAHIRI | <i>Director</i> |
| G. N. MEHRA | <i>Director</i> |

BANKERS

STATE BANK OF TRAVANCORE
THE BANK OF TOKYO - MITSUBISHI LTD.

REGD. OFFICE

D-188, OKHLA INDUSTRIAL AREA, PHASE - 1,
NEW DELHI - 110 020

FACTORY

JOINT VENTURE PLOT NO. 1,
MARUTI UDYOG LTD. COMPLEX,
PALAM - GURGAON ROAD,
GURGAON - 122 015 (HARYANA)

AUDITORS

M/S. S. S. KOTHARI MEHTA & CO.,
CHARTERED ACCOUNTANTS
NEW DELHI

LISTED AT

DELHI, MUMBAI & AHMEDABAD STOCK EXCHANGES
(LISTING FEES PAID)

**ASSTT. COMPANY SECRETARY
& COMPLIANCE OFFICER**

RITU BAKSHI

**SHARE TRANSFER AGENT
(IN DEMAT & PHYSICAL MODE)**

ALANKIT ASSIGNMENTS LIMITED
205-208, ANARKALI COMPLEX,
JHANDEWALAN EXTENSION,
NEW DELHI - 110 055

BHARAT SEATS LIMITED**NOTICE**

NOTICE is hereby given that the 17th Annual General Meeting of the Shareholders of BHARAT SEATS LIMITED will be held on Thursday, 27th May, 2004 at 11:00 A.M., at 'The Auditorium', India Habitat Centre, Lodhi Road, New Delhi to transact the following business:

1. To consider and adopt the Audited Balance Sheet as at 31.03.2004 and the Profit & Loss Account for the year ended on that date and the report of Board of Directors and Auditors thereon.
2. To declare dividend on shares.
3. To appoint a Director in place of Mr. N. D. Relan, who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in place of Mr. G. N. Mehra, who retires by rotation and being eligible offers himself for reappointment.
5. To reappoint Auditors of the Company for the period commencing from the conclusion of this Annual General meeting till the conclusion of the next Annual General Meeting and authorise the Board of Directors to fix their remuneration.

SPECIAL BUSINESS :

6. To consider and, if thought fit, to pass with or without modification, the following resolution as a Special Resolution:

Resolved that pursuant to Schedule XIII and other applicable provisions of Companies Act, 1956, consent of the Company be and is hereby accorded for increase in the remuneration of Mr. Rohit Relan, Managing Director, as under:

SALARY:

- A. BASIC SALARY : In the Scale of Rs. 1,50,000 - Rs. 10,00,000 - Rs. 2,00,000/- per month.
- B. PERQUISITES :
 - (i) Furnished residential accommodation or HRA not exceeding 60% of salary.
 - (ii) Expense on Electricity, water and maintenance at actuals, shall in addition, be borne/ reimbursed by the Co.
 - (iii) Leave Travel and medical expenses Allowance including Mediclaim policy for self and family as per rules of the co.
 - (iv) Leave on full pay and allowances as per rules of the Company.
 - (v) Membership of two Clubs.
 - (vi) Insurance upto a premium of Rs.5000 p.a.
 - (vii) Company's contribution to Provident Fund, Pension Fund & Superannuation Fund as per Rules of Co.
 - (viii) Gratuity as per Payment of Gratuity Act, 1972 & Ex-gratia as per the Rules/ Policies of the Co.
 - (ix) A Chauffeur driven Car provided and maintained by the Co. for use of Co's business and personal use.
 - (x) Telephone, telefax and other communication facilities at residence.
 - (xi) Reimbursement of gas, furnishings, repairs and servants' salaries.

BHARAT SEATS LIMITED

FURTHER RESOLVED THAT the Board of Directors of the Company be and is hereby authorized to take such steps including seeking approval of Central Government or any other authority, as maybe necessary to pay the remuneration to Mr. Rohit Relan, Managing Director.

Further resolved that the remuneration shall be payable w.e.f. 1.4.2004 for a period of three years.

REGD. OFFICE :

D-188, OKHLA INDL. AREA
PHASE- I, NEW DELHI - 110020
DATED: 17TH APRIL, 2004

By Order of the Board
For BHARAT SEATS LIMITED

(RITU BAKSHI)
ASSTT. COMPANY SECRETARY

NOTES :

1. A member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote on poll in the meeting instead of himself and such proxy need not be a member of the Company.
2. An explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Item no.6 of the notice set out above is annexed hereto.
3. Proxies in order to be valid must be lodged at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
4. Register of members and share transfer books of the Company will remain closed from 21st May, 2004 to 27th May, 2004. (both days inclusive).
5. The Dividend on Equity Shares, upon its declaration at this meeting will be paid to those shareholders whose names appear on the Register of members on 27th May, 2004. In case of shares held in dematerialised form, the dividend thereon, upon its declaration shall be paid to beneficial owners, as per details furnished by the Depositories for this purpose.
6. Shareholders/ Proxyholders are requested to produce at the entrance the Attendance Slip forwarded to them duly filled and signed in accordance with the signature registered with the Company for admission to the meeting hall.
7. Members desirous of getting any information relating to the accounts of the Company under reference or about operations of the Company, they are requested to write to the Company at least 7 days before the meeting to enable the Company to make it available at the meeting.
8. Members who have not encashed their Dividend warrants for the financial year ended 31st March, 1997 and thereafter may approach the Registered office of the Company for revalidation of the Dividend warrants as the amount of dividend remaining unpaid for a period of seven years shall be transferred to Investor Education & Protection Fund as per the provisions of Section 205A of the Companies Act, 1956. It may be noted that once the unclaimed dividend is transferred to the Central Government as above, no claim shall lie in respect thereof.
9. The Company has already transferred unclaimed dividend declared upto the financial year ended 31st March, 1995 to the General Revenue Account of the Central Government as required by the Companies Unpaid Dividend (Transfer to the General Revenue Account of the Central Government) Rules, 1978. The Company has transferred the Unclaimed dividend for the year ended 31st March, 1996 to Investor Education and Protection Fund.
10. Members desirous of making a nomination in respect of their shareholding in the Company as permitted under Section 109A of the Companies Act, 1956 are requested to submit the prescribed Form-2B for the purpose to the registered office of the Company.

BHARAT SEATS LIMITED**ANNEXURE TO THE NOTICE****EXPLANATORY STATEMENT AS REQUIRED BY SECTION 173(2) OF THE COMPANIES ACT, 1956****Explanatory Statement to Item no. 6**

Upto the year ended 31.03.2004, the remuneration package of Mr.Rohit Relan, Managing Director has been kept very low, compared to industry average levels. With the growth in Company's size, turnover and profits, it is considered prudent by the Remuneration Committee and the Board of Directors to increase the remuneration of Managing Director.

Your Directors recommend the special resolution as set out in item no.6 for your approval.

Mr.Rohit Relan, Managing Director of the Company is interested in the resolution to the extent of remuneration payable to him. Further, Mr.N.D.Relan, Chairman and Mr.Ajay Relan, Director of the Company are also interested in this resolution, being related to the said director.

I. General Information :

1. Nature of Industry

The Company is engaged in manufacture of seat assemblies for maruti range of vehicles.

2. Date or expected date of commencement of commercial production

The Company is already in production for more than last fifteen years.

3. In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus.

Not applicable, as the Company is an existing one.

4. Financial performance based on given indicators

The Financial performance of the Company in relation to various indicators during the years 2002-03 and 2003-04 is given in the Directors' Report under the heading 'Finances'.

5. Export performance and net foreign exchange collaborations.

None

6. Foreign investments or collaborators, if any.

Financial Collaboration with M/s Suzuki Motor Corporation, Japan, who holds 14.81% of the total equity of the Company.

Technical Collaboration with M/s Houwa Kogyo Co.Ltd., Japan

II. Information about Mr. Rohit Relan :

1. Background details :

Mr.Rohit Relan, Managing Director aged 49 years is a Chartered Accountant and has done Owner President Management Programme from Harvard Business School.

2. Past remuneration

The total remuneration paid to Mr.Rohit Relan from 1st April, 2003 to 31st March, 2004 was Rs.15 lakhs.

3. Recognition or awards

He is a fellow member of the Institute of Chartered Accountants of India. He has done Owner President Management Programme from Harvard Business School.

BHARAT SEATS LIMITED

4. Job profile and his suitability

The job profile of the Managing Director of the Company includes overall supervision and control of the Company's activities and in particular to attend to all matters concerning production planning, manufacture, finance, administration and such other duties and services as entrusted by the Board of Directors. Mr.Rohit Relan is performing the same since 6.3.1986.

5. Remuneration proposed

On the recommendation and approval of Remuneration Committee, the Board of Directors propose to pay the remuneration to Mr.Rohit Relan as per the terms of increase in remuneration approved by the shareholders, for a period of three years w.e.f.1.04.2004. The remuneration is subject to approval from Central government.

6. Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person(in case of expatriates the relevant details would be w.r.t. the country of his origin)

On a scale of comparison, the remuneration being proposed to be paid to the Managing Director is average compared to companies in automobile sector.

7. Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any.

Mr.N.D.Relan, Chairman of Bharat Seats Ltd., is related to Mr.Rohit Relan as his father and Mr.Ajay Relan, Director of Bharat Seats is related to Mr.Rohit Relan as his brother.

II. Other Information :

1. Reason for loss or inadequate profits

The profitability of the Company would have been substantially higher but competitive market conditions resulted in low margins.

2. Steps taken or proposed to be taken for improvement.

The Company has taken the following steps to improve the profitability:

- Cost reduction and productivity improvement.
- Improvement in operating systems through Quality and System Certification, TS16949, Kaizen, TPM(Total productive Maintenance) and SPS (Suzuki production System)
- Introduction of Seat testing System of International Standard with inhouse designing.

3. Expected increase in productivity and profits in measurable terms

Though it is difficult to quantify expected profits in measurable terms, there will be a marked improvement in the position.

REGD. OFFICE :

D-188, OKHLA INDL. AREA
PHASE- I, NEW DELHI - 110020
DATED: 17TH APRIL, 2004

By Order of the Board
For BHARAT SEATS LIMITED

(RITU BAKSHI)
ASSTT. COMPANY SECRETARY

BHARAT SEATS LIMITED**DIRECTORS' REPORT**

To the members,

The Directors of your Company are pleased to present the Seventeenth Annual Report and the Audited Statement of Accounts for the Financial year ended 31st March, 2004

| | 2003-2004 | 2002-2003 |
|--|--------------|-----------|
| | Rs. in lakhs | |
| Finances : | | |
| Sales | 13530.58 | 9888.88 |
| Other Income | 370.50 | 116.03 |
| Profit before Financial charges & Depreciation | 833.06 | 548.41 |
| Less: Financial Charges | 38.41 | 47.36 |
| Profit before Depreciation & Taxation | 794.65 | 501.05 |
| Less: | | |
| a) Depreciation | 382.37 | 293.81 |
| b) Provision for taxation - Current tax | 31.70 | 16.32 |
| - Deferred Tax | 52.96 | 45.25 |
| - Tax for earlier year | 13.38 | - |
| Net Profit after Tax | 314.24 | 145.67 |
| Add: Brought forward from previous year | 15.00 | 15.00 |
| Profit available for appropriation | 329.24 | 160.67 |
| Appropriations : | | |
| Dividend proposed | 94.20 | 62.80 |
| Tax on Dividend | 12.07 | 8.04 |
| Transfer to General Reserve | 207.97 | 74.83 |
| Balance carried forward to Balance Sheet | 15.00 | 15.00 |

With the continuous improvement and serious thrust on cost reduction, maintaining quality standards of products, productivity and above all, customer satisfaction, your Company was able to perform better than last year and recorded the sales income of Rs. 13530.58 lakhs, as compared to Rs. 9888.88 lakhs in the previous year.

Distributable Profits : DIVIDEND

With increase in productivity, your Directors are pleased to recommend increased Dividend of Rs. 3/- per share @30% for the year ended 31.03.2004.

PRODUCT UPGRADATION/ QUALITY IMPROVEMENT

One of the major achievements of your Company during the year under review, was inhouse design and development by our design Engineers, for total Seat Testing system, catering to all International norms. Our Seat Testing system is only one of its kind in our country, which also helps us to evaluate and validate the VA/VE (Value Addition/ Value Engineering) suggestions, through testing inhouse.

Your Company has successfully developed the Zen Minor Seating System, as per Maruti's model upgradation programme. This constituted a total design change of the Seating System, including the styling and fabric.

BHARAT SEATS LIMITED

Your Company is well equipped with modern CAD/ CAE (CATIA, IDEAS & NASTRAN) and plotting (A0 Size) facilities, which has enabled the Company to design, analyse and develop automotive interior and other components. Your Company also has FAROARM, which is a big tool for "Reverse Engineering".

Your Company continues to be among the top vendor list of Maruti in Product Quality parameters and VA/VE suggestions.

Your Company has considerably enhanced the production capacity through implementation of 3rd phase of SPS(Suzuki Production System).

One of the major achievements under Kaizen activities, during the year under review, was the upgradation of Automatic Conveyor for Alto-Assembly line which has substantially increased the production capacity for both, domestic and export model seats.

CONSERVATION OF ENERGY

Your company is not covered by the Schedule of Industries which are required to furnish information in Form 'A' under section 217(1)(e) of the Companies Act, 1956 read with Rule 2 of the Companies(Disclosure of particulars in the report of Board of Directors)Rules, 1988. Your Company is continuously involved in elimination of wastages and saving energy in all fields as a result of continuous improvement through autonomous maintenance and planned maintenance(Jishu Hozen) .

As a result of ongoing TPM(Total Productive Maintenance), Kaizen and other quality measures by the Company, your Company was able to enhance production capacity and reduce wastage in production, resulting in substantial saving of diesel and Electricity.

There is substantial saving in electricity by resorting to extensive use of natural lights wherever possible, resulting in economical use of electrical gadgets, motors and lights.

TECHNOLOGICAL ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts, in brief, made towards : There is continuous cost reduction and
Technology absorption, adaptation product improvement and innovation through
and innovation Value Addition/ Value Engineering
(VA/VE), supported through inhouse
Development and Seat testing Facilities.
We are in the process of establishing inhouse,
the PU Raw Material Blending System.
2. Benefits derived as a result of the : The latest Seat Testing system has resulted
above efforts in better quality product, comfort
and increased safety and value for money for
the customer.
The Raw Material Blending System inhouse
will, in future, improve yield and productivity.
3. In case of imported technology
 - (a) Technology imported
 - (b) Year of import : none
 - (c) Has Technology been fully
absorbed
 - (d) If not fully absorbed, areas
where this has not taken place
Reasons therefor and future plans
of action

BHARAT SEATS LIMITED

RESEARCH AND DEVELOPMENT

1. Specific areas in which R&D carried out by the Company : Design and development of :
 - Seat testing System, catering to national/ international norms and safety standards.
 - Seating System for new Zen Minor model as a part of MUL's Product upgrading programme.
2. Benefits derived as a result of the above R&D : The above development resulted in enhanced customer's faith, making us self reliant in design and development.
3. Expenditure on R&D : Rs. 255.60 lacs

FOREIGN EXCHANGE EARNINGS AND OUTGO

The value of seats produced by us for use as fitment in export model cars of Maruti Udyog Limited are estimated to be Rs. 24.19 Crores. However, Foreign Exchange expenditure as shown in the Notes to Accounts forming part of this Annual Report is for import of Raw materials/ Spares/ Technical fees/ Training fees etc.

DIRECTORS

Shri N.D.Relan and Shri G.N.Mehra retire by rotation and being eligible offer themselves for reappointment.

CORPORATE GOVERNANCE

Bharat Seats Ltd. has made a significant attempt at incorporating the best practices of Corporate Governance as prescribed by the Securities & Exchange Board of India (SEBI). This Annual Report carries a section on Corporate Governance.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors confirm that:

- (I) In the preparation of the annual accounts, the applicable accounting standards have been followed alongwith proper explanation relating to material departures.
- (II) Appropriate accounting policies have been selected and applied consistently and judgements and estimates made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at 31st March, 2004 and of the profit or loss of the Company for the period ending 31st March, 2004.
- (III) 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 for preventing and detecting fraud and other irregularities.
- (IV) The annual accounts have been prepared on a going concern basis.

HUMAN RESOURCES

Your Directors would like to place on record their appreciation of the efficient and loyal services rendered by all staff and workforce of the Company, without whose wholehearted efforts, the overall satisfactory performance would not have been possible.

BHARAT SEATS LIMITED

There are no employees covered under the provisions of Sec 217(2A) of the Companies Act, 1956.

AUDITORS

M/s S.S.Kothari Mehta & Co., Chartered Accountants retire at the Annual General Meeting and being eligible offer themselves for reappointment, which if made, will be in conformity with the provisions of Section 224(1B) of the Companies Act, 1956.

ENVIRONMENT

The Company is not involved in any type of activity hazardous to environment and does not discharge any trade effluent causing pollution. As you are already aware, our Company is an ISO14001 certified company, for which periodic audits are ongoing process.

ACKNOWLEDGEMENTS

The Directors place on record their deep appreciation of the valuable assistance and co-operation extended to the Company from Suzuki Motor Corporation, Japan, Maruti Udyog Ltd, Houwa Kogyo Co Ltd, Nagoya, Japan, State Bank of Travancore, Bank of Tokyo-Mitsubishi Ltd., various departments of Central Government and Haryana State Government, The directors convey their deep appreciation to employees at all levels for their commitment and collective team work.

Your support as shareholders is greatly valued .

Your Directors thank you and look forward to the future with confidence.

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For and on behalf of the Board
BHARAT SEATS LIMITED

Place : New Delhi
Date : 17th April, 2004

(N. D. RELAN)
CHAIRMAN