

18TH

ANNUAL REPORT

2004 - 2005



BHARAT SEATS LIMITED**BOARD OF DIRECTORS**

N. D. RELAN	<i>Chairman</i>
SHINICHI TAKEUCHI	<i>(Nominee-Suzuki Motor Corporation)</i>
I. V. RAO	<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.
IDBI BANK 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

**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

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BHARAT SEATS LIMITED

NOTICE

NOTICE is hereby given that the Eighteenth Annual General Meeting of BHARAT SEATS LIMITED will be held at 'Silver Oak', India Habitat Centre, Lodhi Road, New Delhi on Thursday, 9th June, 2005 at 11 a.m. to transact the following business:

1. To receive and adopt the Audited Balance Sheet as at March 31, 2005 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 a dividend on shares.
3. To appoint a Director in place of Mr. Shinichi Takeuchi, who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in place of Mr. P. K. Lahiri, who retires by rotation and being eligible offers himself for reappointment.
5. To reappoint M/s S. S. Kothari Mehta & Co., Chartered Accountants, the retiring Auditors of the Company, as 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(s), the following resolution as an ordinary resolution:

Resolved that Mr. I. V. Rao, who was appointed as an Additional Director on 14.02.2005 in accordance with Article 80 of the Articles of Association read with Section 260 and other applicable provisions of the Companies Act, 1956 and who holds office upto the date of this Annual General meeting, be and is hereby appointed as a Director of the Company, who will be liable to retire by rotation.

7. To consider and, if thought fit, to pass with or without modification(s), the following resolution as a special resolution:

"Resolved that pursuant to SEBI(Delisting of Securities) Guidelines - 2003 issued under Section 11(1) of SEBI Act, 1992 read with sub-section(2) of Section 11A of SEBI Act or any other provision of the SEBI Act, Securities Contracts(Regulation)Act, 1956, Companies Act, 1956 or any other statutory modification or re-enactment thereof, the Equity shares of Bharat Seats Limited be got delisted from Delhi Stock Exchange and Ahmedabad Stock Exchange.

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

Resolved that pursuant to the provisions of Section 198, 309, 310, Schedule XIII and other applicable provisions of Companies Act, 1956, consent of the Company be and is hereby accorded for change in Salary Structure of Mr. Rohit Relan, Managing Director, without any change in his overall remuneration as earlier approved by the Central Government, as under:

SALARY:

- A. BASIC SALARY : In the Scale of Rs. 3,00,000 - Rs. 20,000 - Rs. 3,20,000 per month.
- B. ALLOWANCES & PERQUISITES: Upto a maximum of -Rs. 52,550/- p.m. for the year : 2005-06 and Rs. 52,950/- p.m. for the year : 2006-07.

In addition to the above, Managing Director shall also be entitled to:

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- i) Company's contribution to Provident Fund, Pension Fund & Superannuation Fund as per Rules of the Company.
- ii) Gratuity as per Payment of gratuity Act, 1972.

Further resolved that the overall remuneration shall not exceed Rs.4,04,366/- p.m. for the year: 2005-06 and Rs.4,28,234/- p.m. for the year: 2006-07, upto 30.09.2006.

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

Further resolved that the remuneration shall be payable w.e.f.1.4.2005 upto 30.09.2006.

By Order of the Board
For BHARAT SEATS LIMITED

(RITU BAKSHI)
ASSTT. COMPANY SECRETARY

REGD.OFFICE :

D-188, OKHLA INDL.AREA
PHASE- I, NEW DELHI - 110020

DATED : 14TH APRIL, 2005

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 to Item no. 8 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. The Register of members and share transfer books of the Company will remain closed from 3rd June, 2005 to 9th June, 2005 (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 9th June, 2005. 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/ Proxy holders 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, 1998 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

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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 and 31st March, 1997 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.

ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT AS REQUIRED BY SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No. 6

Mr. I. V. Rao, who was co-opted as a Director on nomination by Maruti Udyog Limited, cease to be a Director at the conclusion of the Annual General meeting. The Company has received notice under Section 257 of the Companies Act, 1956 for his appointment.

Mr. I. V. Rao is concerned or interested in the resolution at item no.6 of the notice.

Item No. 7

The Equity Shares of Bharat Seats Limited are listed with Mumbai, Delhi and Ahmedabad Stock Exchanges. There is practically no trading in Company's shares in Delhi and Ahmedabad Stock Exchange. Company's shares are actively traded only at Mumbai Stock Exchange. It is proposed that the shares of the Company be got delisted from Delhi Stock Exchange and Ahmedabad Stock Exchange to save unnecessary expenses incurred to remain listed with Delhi Stock Exchange and Ahmedabad Stock Exchange. Accordingly, the Board commends the resolution for the approval of members.

None of the directors of the Company is in any way concerned or interested, directly or indirectly in the proposed resolution, except to the extent they are shareholders of the Company.

Item No. 8

Mr. Rohit Relan, Managing Director is presently paid remuneration under various heads as approved by the shareholders in the Annual General Meeting dated 27th May, 2004 and by the Central Government vide their approval letter no. 2/58/2004-CL.VII dated 1st Sep., 2004. Now, Mr. Rohit Relan, Managing Director requested to restructure his remuneration under various heads, without any change in the overall remuneration payable to him, as per approval of Central Government.

The Remuneration Committee and the Board of Directors in their meetings dated 14th April, 2005 approved the restructuring of Salary of Managing Director, without any change in the overall remuneration as already approved by the Central Government, in the manner indicated in the resolution.

Your directors recommend the special resolution as set out in item no.8 for your approval.

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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.

By Order of the Board
For **BHARAT SEATS LIMITED**

(**RITU BAKSHI**)
ASSTT.COMPANY SECRETARY

REGD.OFFICE:

D-188, OKHLA INDL.AREA
PHASE- I, NEW DELHI - 110020

DATED :14TH APRIL, 2005

**DETAILS OF DIRECTORS SEEKING APPOINTMENT/ REAPPOINTMENT AT THE FORTHCOMING
ANNUAL GENERAL MEETING**

(IN PURSUANCE TO CLAUSE 49 OF THE LISTING AGREEMENT)

NAME OF THE DIRECTOR	MR.S.TAKEUCHI	MR.P.K.LAHIRI	MR.I.V.RAO
DATE OF BIRTH	16-02-1948	28-04-1937	27-08-1952
DATE OF APPOINTMENT ON THE BOARD	23-04-2003	22-01-2003	14-02-2005
QUALIFICATIONS	GRADUATE FROM DEPTT. OF TECHNOLOGY, SHIZUOKA UNIV. JAPAN	RETD. I.A.S	GRADUATED IN MECHANICAL ENGG. FROM OSMANIA UNIV. AND POST GRADUATE IN MECHANICAL DESIGN FROM IIT, KANPUR
LIST OF COMPANIES IN WHICH OUTSIDE DIRECTORSHIP HELD ON 31ST MARCH, 2005	1. SUZUKI METAL INDIA LTD 2. SUBROS LTD. 3. SUZUKI MOTOR CORPORATION 4. MARUTI UDYOG LIMITED	1. SHIV VANI OIL & GAS EXPLORATION SERVICES LTD. 2.TATA SPONGE IRON LTD.	— NONE —

BHARAT SEATS LIMITED**DIRECTORS' REPORT**

To the Members,

The Directors of your Company are pleased to present the Eighteenth Annual Report and the Audited Statement of Accounts for the Financial year ended 31st March, 2005

	2004-2005	2003-2004
	Rs. in lakhs	
Finances:		
Sales	16558.92	13530.58
Other Income	296.01	370.50
Profit before Financial charges & Depreciation	694.34	833.06
Less : Financial Charges	33.68	38.41
Profit before Depreciation & Taxation	660.66	794.65
Less:		
a) Depreciation	393.20	382.37
b) Provision for taxation - Current tax	100.43	31.70
- Deferred Tax	-79.44	52.96
- Tax for earlier years	1.98	13.38
Net Profit after Tax	244.49	314.24
Add: Brought forward from previous year	15.00	15.00
Profit available for appropriation	259.49	329.24
Appropriations :		
Dividend proposed	94.20	94.20
Tax on Dividend	13.21	12.07
Transfer to General Reserve	137.08	207.97
Balance carried forward to Balance Sheet	15.00	15.00

The total sales of your Company for the year: 2004-05 was Rs. 16,558.92 lakhs, as against Rs.13,530.58 lakhs in 2003-04, showing an impressive increase of 22%.

In light of severe competitive pressure, there was need to rationalize manpower. For this purpose, your Company has implemented Voluntary Separation Scheme(VSS) and incurred total expenditure of Rs. 342 lakhs on implementing this scheme. In spite of this expenditure, the net profit, after tax of your Company is Rs. 244.49 lakhs. This is due to higher volume of sales and continued cost control.

Distributable Profits :- DIVIDEND

With increase in productivity, your Directors are pleased to recommend Dividend of Rs. 3/- per share (@30 %) for the year ended 31.03.2005.

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PRODUCT UPGRADATION/ QUALITY IMPROVEMENT :

One of the major achievements of your Company under review was the certification of the Seat and Frames Testing Laboratory from internationally recognized certifying authority, NABL (National Accreditation Board for Testing and Calibration Laboratories).

Your Company has also developed a fully operative Research & Development Centre, which is certified by Department of Science and Technology, Government of India.

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 use of auto shut off air compressor, shop floor lighting and refrigerant air dryer. Also, certain water saving measures are taken such as elimination of water leakage in all shops and repair of water traps in all toilets.

For the purpose of saving diesel, Steam pipings are insulated and steam condensation water is reused in heat exchanger in the shopfloor.

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

- | | |
|--|---|
| 1. Efforts, in brief, made towards Technology absorption, adaptation and innovation | : There is continuous cost reduction and product improvement and innovation through Value Addition/ Value Engineering. (VA/VE).
There is inhouse design and development of two-wheeler Seating system and profile cutting system for 'Alto' model floor carpet. |
| 2. Benefits derived as a result of the above efforts | : The latest indigenisation of products has resulted in better quality product, comfort and increased safety and value for money for the customer. |
| 3. In case of imported technology Technology imported | : - PU Trial pouring machine from KRAUSS MAFFEL, Germany, for formulation tryouts, upgradation of formulations and proving out of new moulds for the PU production lines.
- Conveyorised Moulding Machine with heating arrangement from our Technical collaborators, M/s Houwa Kogyo Co. Ltd., Japan for carpet of 'Alto' model. |
| (a) Year of import | 2004 - 2005 |
| (c) Has technology been fully absorbed | Yes |
| (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 :
- Two Wheeler Seating System for Suzuki Motor Cycle - Standard and Sports models.

- Profile Cutting System for Alto model moulded carpet. |
| 2. Benefits derived as a result of the above R&D. | : The total indigenisation in development of Standard model of Suzuki Motor Cycle and in development of Profile Cutting System for floor carpet of Alto Model has resulted in enhanced customer's confidence, making us self reliant in design and development and making the product cost competitive. |
| 3. Expenditure on R&D | Rs. 132.26 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. 23.18 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/ Capital equipment/ Technical fees/ Training fees etc.

DIRECTORS

In accordance with the Articles of Association of the Company, Shri Shinichi Takeuchi and Shri P. K. Lahiri retire by rotation at the ensuing Annual General Meeting and are eligible for reappointment.

During the year, Mr. I. V. Rao was appointed as Additional Director as a nominee of Maruti Udyog Limited in place of Mr. C. K. Dave w.e.f. 14.02.2005.

The Company express their great appreciation for the valuable services rendered by Mr. C. K. Dave during his tenure as a Director of Bharat Seats Limited.

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, 2005 and of the profit or loss of the Company for the period ending 31st March, 2005.
- (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.

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HUMAN RESOURCES

In order to ensure continued viability of the company's operation in future in the face of increasing competition in the Automobile Industry, the Voluntary Separation Scheme was launched. 73 employees opted for voluntary separation under this scheme during December 2004. A five year long term settlement w.e.f. 1st January 2005 to 31st December 2009 with the workers was signed. Industrial relation continues to be harmonious in the organization.

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.

PARTICULARS OF EMPLOYEES

As required under the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, the particulars of employees are set out in annexure.

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.

COMMENT ON AUDITORS' OBSERVATION

The Auditors are of the opinion that the Excise duty payment of Rs.65.63 lakhs, shown in Loans and Advances, paid under protest, should be provided for in the books. The management has taken a strong favourable legal opinion from a leading Advocate and they are of the opinion that this should not be taken as liability for the purpose of Balance Sheet and henceforth no provision is made in the books and it is shown as Contingent Liability.

Other notes are self explanatory.

ENVIRONMENT

The Company is not involved in any type of activity hazardous to environment and does not discharge any trade effluent causing pollution. Now, our Company has done recertification of ISO14001 based on 2004 revised version.

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., IDBI Bank 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.

For and on behalf of the Board
BHARAT SEATS LIMITED

PLACE : NEW DELHI
DATED : 14TH APRIL, 2005

(N. D. RELAN)
CHAIRMAN