



19TH

ANNUAL REPORT

2005 - 2006



BHARAT SEATS LIMITED

BHARAT SEATS LIMITED

BOARD OF DIRECTORS	N. D. RELAN HIROFUMI NAGAO I. V. RAO ROHIT RELAN AJAY RELAN P. K. LAHIRI G. N. MEHRA	<i>Chairman</i> <i>(Nominee-Suzuki Motor Corporation)</i> <i>(Nominee-Maruti Udyog Ltd.)</i> <i>Managing Director</i> <i>Director</i> <i>Director</i> <i>Director</i>
BANKERS	STATE BANK OF TRAVANCORE THE BANK OF TOKYO - MITSUBISHI UFJ 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	BOMBAY STOCK EXCHANGE LIMITED	
ASSTT. COMPANY SECRETARY & COMPLIANCE OFFICER	RITU BAKSHI	
SHARE TRANSFER AGENT (IN DEMAT & PHYSICAL MODE)	ALANKIT ASSIGNMENTS LIMITED 2E/21, ALANKIT HOUSE, JHANDEWALAN EXTENSION, NEW DELHI - 110 055	

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BHARAT SEATS LIMITED

NOTICE

NOTICE is hereby given that the Nineteenth Annual General Meeting of BHARAT SEATS LIMITED will be held at 'Auditorium', India Habitat Centre, Lodhi Road, New Delhi on Thursday, 25th May, 2006 at 11:00 a.m. to transact the following business:

1. To receive and adopt the Audited Balance Sheet as at March 31, 2006 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. N.D.Relan, who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in place of Mr. Ajay Relan, 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. Hirofumi Nagao, who was appointed as an Additional Director on 08.08.2005 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 the provisions of Section 198, 269, 309, 310 and 311 read with Schedule XIII of the Companies Act, 1956, and all other applicable provisions of Companies Act, 1956, consent of the Company be and is hereby accorded for reappointment of Mr. Rohit Relan, Managing Director for a period of five years, from 1st October, 2006 to 30th September, 2011 upon the following terms and conditions:

SALARY :

- A. BASIC SALARY : Rs. 3,50,000/- per month with the provision of annual increment of Rs.30,000/- per month in the scale of Rs.3,50,000 – Rs.30,000 – Rs. 4,70,000/- per month.
- B. ALLOWANCES : Upto a maximum of Rs. 60,000/- per month.
& PERQUISITES

BHARAT SEATS LIMITED

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

- i) Company's contribution to Provident Fund and Pension Fund as per the rules of the Company.
- ii) Gratuity as per Payment of Gratuity Act, 1972.

Further resolved that where in any financial year during the tenure of the Managing Director, the Company has no profits or its profits are inadequate, the Company shall pay to the Managing Director, the above remuneration as the minimum remuneration."

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 : 13TH APRIL, 2006

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 and 7 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 19th May, 2006 to 25th May, 2006 (both 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 25th May, 2006. 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.

BHARAT SEATS LIMITED

8. Members who have not encashed their Dividend warrants for the financial year ended 31st March, 1999 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 31st March, 1998 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. H. Nagao, who was co-opted as a Director on nomination by Suzuki Motor Corporation, 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. H. Nagao is concerned or interested in the resolution at item no.6 of the notice.

Item No. 7

Mr. Rohit Relan, Managing Director was re-appointed as a Managing Director on 1st October, 2001 for a term of five years. His term in office would expire on 30.09.2006. He is presently paid remuneration aggregating to Rs. 4,28,234/- p.m. under various heads as approved by the Central Government vide their approval letter no 2/45/05-CL.VII. dt.5th Sept., 2005.

The Remuneration Committee and the Board of Directors in their meetings held on 13.4.2006 approved the appointment and remuneration of Mr.Rohit Relan, Managing Director. In view of inadequate profits during the year ended 31st March, 2006, the appointment and remuneration payable to Mr.Rohit Relan, Managing Director is subject to the approval of Central Government.

Your directors recommend the special resolution as set out in item no.7 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 are also interested in the 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 INDLAREA

PHASE- I, NEW DELHI - 110020

DATED : 13TH APRIL, 2006

BHARAT SEATS LIMITED**STATEMENT GIVING INFORMATION REQUIRED UNDER PART II, SECTION II(C) TO THE SCHEDULE XIII OF THE COMPANIES ACT FOR PAYMENT OF REMUNERATION TO MR. ROHIT RELAN, MANAGING DIRECTOR****I. GENERAL INFORMATION :****1. Nature of Industry**

The Company is engaged in manufacture of Seating System and moulded carpets for Car market leader, Maruti Udyog Limited as well as seats for Suzuki Motor Cycle India Pvt. Ltd. two wheelers, at their plant at Gurgaon in Haryana.

2. Date or expected date of commencement of commercial production

The Company is already in production for more than last seventeen 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 2004-05 and 2005-06 is given hereunder:

	(Rs. in lakhs)	
	2004-05	2005-06
Turnover	16,558.92	16,921.44
Net Profit after tax	244.49	259.52
Dividend	30%	30%

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 THE APPOINTEE i.e. MR. ROHIT RELAN**1. Background details :**

Mr. Rohit Relan, Managing Director aged 51 years is a Chartered Accountant and has done Owner/ President Management Programme from Harvard Business School.

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2. Past remuneration

The total remuneration paid to Mr.Rohit Relan from 1st April, 2005 to 31st March, 2006 was Rs. 46.69 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.

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

A. BASIC SALARY : Rs. 3,50,000/- per month with the provision of annual increment of Rs. 30,000 p.m. in the scale of Rs. 3,50,000 – Rs. 30,000 – Rs. 4,70,000/- per month.

B. ALLOWANCES : Upto a maximum of Rs. 60,000/- per month.
& PERQUISITES

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

- i) Company's contribution to Provident Fund and Pension Fund as per the rules of the Company.
- ii) Gratuity as per Payment of Gratuity Act, 1972.

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.

Except for the remuneration as Managing Director and his shareholding, the appointee has no other pecuniary relationship with the Company.

The appointee is related to Mr.N.D.Relan, Chairman of the Company, who is his father and to Mr. Ajay Relan, Director of the Company who is his brother.

BHARAT SEATS LIMITED

III. OTHER INFORMATION**1. Reason for loss or inadequate profits**

During the last few years the Company has spent significant amounts on R & D efforts and expansion of capacity. The results of these will take time to be depicted in the profitability of the Company. In view of the above facts and competitive market conditions, the profit of the Company has remained low. However, the same is expected to improve in the next 2-3 years.

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

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

- a. Cost reduction and productivity improvement.
- b. Improvement in operating systems through Quality and System Certification, TS16949, Kaizen, TPM (Total productive Maintenance) and Suzuki Production System.
- c. Upgradation of Seat testing System of International Standard.

3. Expected increase in productivity and profits in measurable terms

There will be a marked improvement in the position.

IV. DISCLOSURES:

- (1) The shareholders of the Company shall be informed of the remuneration package of the managerial person.**

The detail of remuneration package of Mr. Rohit Relan, Managing Director forms part of accompanying notice.

- (2) The following disclosures shall be mentioned in the Board of Directors Report under the heading 'Corporate Governance', attached to the annual report:-**

- (i) All elements of remuneration package such as salary, benefits and perquisites etc. of all the directors.

Necessary particulars of remuneration under required heads and sitting fees of all Directors are given in Corporate Governance Report, forming part of the Directors' Report for the year 2005-2006.

**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 : 13th APRIL, 2006

BHARAT SEATS LIMITED**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. H. NAGAO	MR. N. D. RELAN	MR. AJAY RELAN	MR. ROHIT RELAN
DATE OF BIRTH	10.06.1953	31.05.1929	03.12.1961	02.07.1955
DATE OF APPOINTMENT ON THE BOARD	08.08.2005	06.03.1986	05.04.1988	06.03.1986
QUALIFICATIONS	GRADUATE IN FOREIGN STUDIES FROM OSAKA UNIVERSITY	B.COM	B.COM(HONS.) OWNER/ PRESIDENT MANAGEMENT PROGRAMME FROM HARVARD BUSINESS SCHOOL	B.COM(HONS.), F.C.A. OWNER / PRESIDENT MANAGEMENT PROGRAMME FROM HARVARD BUSINESS SCHOOL
LIST OF COMPANIES IN WHICH OUTSIDE DIRECTORSHIP HELD ON 31 ST MARCH, 2006	1. CLIMATE SYSTEM INDIA LIMITED 2. MARK AUTO INDUSTRIES LTD. 3. MARUTI UDYOG LIMITED.	1. SHARDA MOTOR INDUSTRIES LTD. 2. RELAN INDUSTRIAL FINANCE LTD. 3. PEBCO MOTORS LTD. 4. RELAN ENGG. & AUTOMATION LTD. 5. YMTR AUTOTECH INDIA LIMITED 6. SHARDA PRO ACOUSTICS LTD. 7. SHARDA SEJONG AUTO COMPONENTS (INDIA) LTD. 8. PROGRESSIVE ENGINEERING & AUTOMATION (P) LTD.	1. SHARDA MOTOR INDUSTRIES LTD. 2. RELAN INDUSTRIAL FINANCE LTD. 3. RELAN ENGG. & AUTOMATION LTD. 4. YMTR AUTOTECH INDIA LIMITED 5. SHARDA PRO ACOUSTICS LTD. 6. SHARDA SEJONG AUTO COMPONENTS (INDIA) LTD. 7. PROGRESSIVE ENGINEERING & AUTOMATION (P) LTD.	1. SHARDA MOTOR INDUSTRIES LTD. 2. RELAN INDUSTRIAL FINANCE LTD. 3. RELAN ENGG. & AUTOMATION LTD. 4. YMTR AUTOTECH INDIA LIMITED 5. SHARDA PRO ACOUSTICS LTD. 6. SHARDA SEJONG AUTO COMPONENTS (INDIA) LTD. 7. PROGRESSIVE ENGINEERING & AUTOMATION (P) LTD.

BHARAT SEATS LIMITED**DIRECTORS' REPORT**

To the members,

The Directors of your Company are pleased to present the Nineteenth Annual Report and the Audited Statement of Accounts for the Financial year ended 31st March, 2006

	2005-06	2004-05
	Rs. in lakhs	
Finances :		
Sales	16921.44	16558.92
Other Income	195.91	295.05
Profit before Financial charges & Depreciation	742.01	694.34
Less: Financial Charges	51.24	33.68
Profit before Depreciation & Taxation	690.77	660.66
Less:		
a) Depreciation	346.08	393.20
b) Provision for taxation - Current tax	67.57	100.43
- Fringe Benefit Tax	12.42	-
- Deferred Tax	5.18	-79.44
- Tax for earlier years	-	1.98
Net Profit after Tax	259.52	244.49
Add: Brought forward from Previous year	15.00	15.00
Profit available for appropriation	274.52	259.49
Appropriations :		
Dividend proposed	94.20	94.20
Tax on Dividend	13.21	13.21
Transfer to General Reserve	152.11	137.08
Balance carried forward to Balance Sheet	15.00	15.00

Your directors are happy to state that during the financial year under review, the Company achieved the highest ever turnover. Your Company's turnover(net of excise) increased by Rs.526.16 lakhs, from Rs.13825.03 lakhs to Rs.14351.19 lakhs, i.e. an increase by 3.81%. The gross turnover increased by 362.52 lakhs, from Rs.16558.92 lakhs to Rs.16921.44, i.e. an increase by 2.19%. The main contributors in the growth in turnover has been growth in sales volumes of Maruti Udyog Limited. During the year, your Company started supplying moulded carpets for Alto model to Maruti and achieved a gross turnover of Rs.245.94 lakhs.

Distributable Profits :- DIVIDEND

Your Directors are pleased to recommend Dividend of Rs.3/- per share (@30%) for the year ended 31.03.2006.

PRODUCT UPGRADATION/ NEW PRODUCT INTRODUCTION/ QUALITY IMPROVEMENT

During the year under review, your Company has started supplying moulded carpets for Alto model to Maruti Udyog Limited (MUL).