



HARIA EXPORTS LIMITED

**43rd ANNUAL REPORT
2012 - 2013**

**BOARD OF DIRECTORS**

Mr. Kantilal L. Haria
Mr. Manish K. Haria
Mr. Sunil P. Mistry
Mr. Nitin V. Oza

Chairman & Managing Director
Joint Managing Director
Director
Director

AUDITORS

M/s. Sunderji Gosar & Co.

Chartered Accountants

BANKERS

Punjab National Bank & Others

REGISTERED OFFICE

8, Subhash Road,
Vile Parle (East),
Mumbai – 400 057.

Tel.: 91-22-40973000
Fax: 91-22-40973030
Email: accounts@hariagroup.com

INVESTOR SERVICE CELL

Registrar & Transfer Agent
M/s Link Intime India Pvt. Ltd.
C-13, Pannalal Silk Mills Compound,
L.B.S.Marg, Bhandup,
Mumbai - 400 078.
Tel : 25963838 Fax : 25946969
Email : isrl@vsnl.com

PLANTS

Bhiwandi:
Perna Complex, A-5, Gala No.5-8
AnjurPhata, Dapoda Road,
Bhiwandi, Dist.Thane - 421 302

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NOTICE

NOTICE is hereby given that the **Forty-Third** Annual General Meeting of the members of **HARIA EXPORTS LIMITED** will be held **on Friday, 27th September 2013**, at 9.30 a.m at 8, Subhash Road, Vile Parle (East), Mumbai - 400 057 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider, approve and adopt the Balance Sheet as at 31st March, 2013 and the Statement of Profit and Loss for the year ended on that date together with the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Nitin V. Oza who retires by rotation and being eligible, offers himself for re- appointment.
3. To appoint Auditors and authorise the board to fix their remuneration.

By Order of the Board

Place : Mumbai

Date : 30/05/2013

(KANTILAL L. HARIA)

Chairman & Managing Director

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE IN ITS BEHALF AND SUCH PROXY NEED NOT BE A MEMBER, PROXY IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY. NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING AT THE REGEISTERED OFFICE.
2. The Register of Members and Share Transfer Books of the Company will remain closed from 25th September, 2013 to 27th September, 2013 (both days inclusive).
3. Members who hold shares in dematerialized form are requested to bring their ID and DPID numbers for easy identification of attendance at the Meeting.
4. Members who wish to attend Meeting, are requested to bring attendance slip sent herewith, duly filled in and the copy of the Annual Report. Copies of the Annual Report will not be distributed at the Meeting. Members are requested to intimate to the Company's Registrar and Transfer Agents.

M/s.Link Intime India Pvt. Ltd. C – 13, Pannalal Silk Mills Compound, L. B. S. Marg, Bhandup (W), Mumbai – 400 078 for changes if any, in their registered address at an early date and quote their Folio Numbers / Client ID / DPID in all their correspondence.

By Order of the Board

Place : Mumbai

Date : 30/05/2013

(KANTILAL L. HARIA)

Chairman & Managing Director



D I R E C T O R S ' R E P O R T

**TO,
THE MEMBERS,
M/S. HARIA EXPORTS LIMITED
MUMBAI.**

Your Directors have pleasure in presenting their 43rd Annual Report together with Audited Accounts of the Company for the year ended 31st March, 2013.

FINANCIAL RESULTS :

The Financial Results of the Company for the year ended 31st March, 2013 are summarized as under:

Year Ended (Rs. in Lacs)

Particulars	31st March, 2013	31st March, 2012
Sales and other Income	587.86	739.75
Increase/(Decrease) in stock	55.75	(81.26)
Less: Expenditure	572.83	717.27
Profit Before Depreciation	(40.71)	(58.78)
Less: Depreciation	15.30	82.44
Profit Before Tax	(56.01)	(141.22)
Less: Provision for Tax	-	-
Profit After Tax	(56.01)	(141.22)
Less: Prior period Expenses	0.09	-
	(56.11)	(141.22)
Add: Deferred Tax	(19.79)	84.18
Net Profit	(36.32)	(57.03)
Add: Balance Brought Forward	-	57.03
Balance Available for Appropriation	(36.32)	-
Less: Proposed Dividend for the year	N.A.	N.A.
Less: Transfer to General Reserve	N.A.	N.A.
Balance Transferred to Balance Sheet	(36.32)	N.A.

1. DIVIDEND:

Your Directors do not recommend any Dividend for the year 2012 – 2013.

2. MANAGEMENT ANALYSIS:

2.1 Industry Structure & Development:

The Indian Stationery and Notebook Industry

The Indian stationery industry is built on the manufacture and trade of a broad range of paper products, writing instruments, computer and office stationery, and related items other than greeting cards, calendars or gift wrap. The industry as a whole, and the market for notebooks and exercise books in particular, is closely tied to the evolving and growing national economy and population. As the overall economic environment in India has improved, demand by businesses and increasingly well educated consumers has driven growth in the stationery industry.



According to the AC Nielsen ORG MARG Report, the Indian stationery and notebook market is approximately Rs. 80,000 million as of fiscal 2005-06, of which Rs.51,000 million is attributable to the sale of notebooks and exercise books. Total exports of paper based notebooks from India was 3% of domestic sales or Rs.1,550 million in FY06.

The notebook industry can be broadly segmented into four categories of end users: students, schools and education authorities, offices and business customers and personal use. Out of these segments, the student population has the largest share or 80% of total consumption. Offices and business customers make up 10% of total demand while schools and education authorities are important customers with 7% of total consumption. Personal use of notebook products contributes the balance 3% of total demand.

Industry Characteristics and the Competitive Landscape

The Indian stationery and notebook industry is highly fragmented and dominated by unorganized manufacturers, with small, highly localized businesses. According to the AC Nielsen ORG MARG Report, approximately 80% of the Indian stationery market is controlled by “unorganized” regional manufacturers.

Only the remaining 20% of the market is organized out of which 15% is controlled by the large players and the balance 5% is controlled by the medium sized players. The following graphic illustrates the breakdown of the total estimated market size of the industry for FY06:

Organised vs. Unorganised Segment Market Share and Total Market Size of Notebook Industry

The following table highlights the differentiating characteristics of the organised and unorganised segments in the Indian stationery and notebook industry.

	UNORGANISED	ORGANISED
PRODUCT QUALITY	Inferior standards and lower quality products	Superior standards and higher quality products
PRICING POWER	Volatile, market-driven pricing	More stabilised pricing
CAPACITY AND SCALE	Production capacity is limited, restricting development of economies of scale	Production in sizable quantities, giving benefit of economy of scales.
TECHNOLOGY	Absence of quality machines for production and high dependency on manual processing	Relies on high quality, sophisticated machines for production
DISTRIBUTION REACH	Existence in local market	National presence
INDUSTRY CONCENTRATION	More than 1,000 market participants across India in the industry	A small number of large, national participants dominate the market with about 10 key brands

The fragmented and unorganised character of the industry is the result of a number of factors, including:

- A fragmented retail market concentrated in small, independent retail outlets, with little consolidation and limited nationwide purchasing; and
- High costs in the industry of production technology, facilities and raw materials making it difficult to create the economies of scale necessary for market participants to expand operations, acquire higher quality raw materials and invest in sophisticated machinery to improve product quality and reduce per unit cost.



Because of the fragmented and unorganised character of the industry, we have observed that growth and innovation has been less rapid in the Indian notebook and stationery than in other countries. In particular, we believe that the high cost of production and the inability of local producers to achieve economies of scale have resulted in generally lower-quality products than those found in markets outside India. The small businesses comprising the unorganised segment of the Indian stationery and notebook industry have also, because of their smaller size, generally not been subject to the same close scrutiny in respect of standards that is generally applied to larger businesses.

Despite the unorganised character of the Indian stationery and notebook industry overall, certain large, nationally oriented producers have begun to emerge, forming the organised industry segment.

The small, disorganized stationery manufacturers are poorly equipped to serve the business, personal and educational needs of India's rapidly growing population and expanding economy. Thus a more organized segment of the industry with a national orientation and greater resources and ambitions has emerged. The development of the organised players has been spurred by factors including:

- Overall improved economic environment, contributing to investment in modern equipment and infrastructure creation for industry;
- Enhanced availability of capital resulting in the development of economies of scale that allow for growth of capacity, expansion of network and improved quality;
- Greater consumer demand for higher quality branded products, resulting in part from increased urbanisation and a growing middle class along with the increased availability of higher quality imported products; and

Industry Drivers

The most important drivers of consumption in the Indian notebook and stationery industry are:

- The strength of the economy;
- The growth of consumerism and increased urbanisation;
- Large population with attractive age profile;
- Increased rates of literacy;
- Increased rates of education; and
- Increased Government outlay for the education sector.

Economic Drivers

A strong economy contributes to consumption of stationery products in all sectors - office, education and personal consumers, as do increased consumerism and urbanisation. In particular, increased consumerism and urbanisation drive demand for higher quality and premium products. Increased economic growth is resulting in an increase in the middle class, which in turn is fuelling the consumer boom and demand for notebook and stationery products

Literacy and Education

Increased rates of literacy and improved school attendance result in greater demand for stationery products and notebooks, particularly in the educational segment. Low literacy levels in India have historically limited the growth of the stationery and notebook industry. However, according to the 2001 Census, between 1999 to 2002 the literacy levels among the population from the ages of 7 to 24 in India increased from 57.9% to 65.4%. The AC Nielsen ORG MARG Report estimates the total literate population within this age group at 257 million, representing an estimated annual notebook market of Rs. 51,000 million. The AC Nielsen ORG MARG Report anticipates that this market will increase to Rs. 82,080 million in the year 2011, with a total literate population between the ages of 7 and 24 of 342 million.



This growth in literacy is due in large part to the improved and expanded education system in India. Today, with 348 universities and approximately 10.5 million students, India has the third largest education system in the world behind China and the United States. National spending on education has increased to 4% of the GDP, and about half of the money spent on education in the public sector is on elementary education. According to the AC Nielsen ORG MARG Report, in urban areas, per capita spending on education grew at a rate of 200% from 1983 to 2003. We expect that future generations in India will be increasingly literate and educated and demand for notebook and stationery products and other printed matter will rise accordingly.

According to the AC Nielsen ORG MARG Report, outside metros and other major cities in India, per capita spending on education grew at a rate of 262% from 1983 to 2003. We expect that the growth in literacy rates will increase further, particularly where literacy rates are far below the national average. This is expected, in turn, to increase demand for stationery products.

School attendance and school improvements, especially at the secondary and college level, drive the market for stationery products—particularly notebooks. According to the AC Nielsen ORG MARG Report, approximately 87% of consumers of notebooks are students or educational authorities. The following table shows the growth of per capita spending on education over the last two decades.

2.2 Manufacturing of Note-Books:

The company has set up plant for manufacturing of note books keeping in view the market as the product is highly used in the Consumer market and the company can avail the maximum benefits from this product. The company had commenced its production of note books and also marketed the same. The sales had considerably reached to an higher extent in a very short period. Your company expects that the turnover of this product will still rise in the near future.

2.3 Marketing

The company has already developed an efficient sales and marketing network, which is an important factor in business operations. The company will leverage their experience, reputation and brand recognition in the marketing efforts. The company will provide high quality products, an attractive price and timely delivery to their customers. The company believes will lead to greater customer loyalty, which will translate into retention of customers and acquisition of new customers through referrals and reputation building arising from consistent client satisfaction. The company has already established whole-seller/distributor network.

Distributors—In addition to wholesalers, manufacturers also sell their stationery and notebook products through established networks of distributors, who in turn sell products to retailers. Manufacturers provide support for products sold through their distributors through various publicity and advertising campaigns. For Distributors industry practice is to offer 20-25% discount on bulk purchases and 2- 5% additional discount on prompt payment. Credit terms average 30 to 60 days but can extend up to 90 days for the best customers.

Retailers—Wholesales and distributors channel their sales to the end user through various small shops.

Manufacturers also sell stationery and notebooks directly to retailers. These retail outlets play a dominant role in pushing the product through to the end users and are widely dispersed, including in extremely rural parts of the country.

Direct Sales—Some FMCG manufacturers in the organised segment of the Indian stationery and notebook industry have begun to establish their own retail outlets in certain regions. However, these outlets have had limited success against the existing distribution structure of the industry, particularly due to the strength of the existing network of small retailers in more remote areas of the country. Direct sales to institutions have greater



importance in the office and business user segment and in higher value added activities undertaken by notebook and stationery manufacturers such as contract printing and publications. For Direct Sales we estimate that the industry practice is to offer 10-15% discount and credit terms of average 15 to 30 days.

- **Strength**
 - i. Experienced Promoters
 - ii. Management has already established network.
 - iii. Established Network
- **Weakness**
 - i. Late Entrant into the business.
- **Opportunity**
 - i. The market is expanding.
 - ii. Growth Potential
- **Threat**
 - i. Entrants of new player.

2.5 Internal Control System and their adequacy:

The Company is committed to maintaining an effective system of internal control for facilitating accurate, reliable and speedy compilation of financial information, safeguarding the assets and interests of the Company and ensuring compliance with all laws and regulations. The Company has an internal control department to monitor, review and update internal controls on an ongoing basis. The Company has put in place a well-defined organization structure, authority levels and internal guidelines for conducting business transactions. The minutes of Audit Committee would be reviewed by the Board for its suggestions/recommendations to further improve the internal control systems.

The Audit Committee periodically reviews audit plans, observations and recommendations of external auditors with reference to significant risk areas and adequacy of internal controls.

2.6 Financial Analysis:

BALANCE SHEET

(RUPEES IN LACS)

Particulars	31st March, 2013	31st March, 2012
Share Capital	1155	1155
Reserve & Surplus	543.52	538
Loans (Secured)	-	-
Unsecured Loans	38.59	150
Provision for Taxation	-	-
Net Fixed Assets	31.67	317
Net Current Assets	386.36	1526



2.7 Human Resources:

The Company believes that its people are a key differentiator, especially in knowledge driven, competitive and global business environment. Adapting work culture to suit the dynamic balancing of people requirements and employee needs is an ongoing process. Fundamental HR processes which enable higher performance orientation, speed, skill and competency development, talent management and human asset are corner stones for the success of any organization. As in the past, the industrial relations continued to remain cordial at all factories / units of the Company.

3) Deposits:

The Company has not accepted any deposit within the meaning of Section 58A of the Companies Act, 1956 read with Companies (Acceptance of Deposits Rule) 1975 during the year under review.

4) Directors:

In accordance with the Articles of Association, Mr. Nitin V Oza retire by rotation and being eligible, offer himself for re-appointment.

5) Directors' Responsibility Statement:

Pursuant to the requirement under Section 217 (2AA) of Companies Act, 1956 with respect to Director's Responsibility Statement, it is hereby confirmed:

- (1) That in preparation of the Annual Accounts for the year ended 31st March, 2013; the applicable accounting standard have been followed along with proper explanation relating to material departures, if any.
- (2) That such Accounting Policies as mentioned in Note No. 2 of the Annual Accounts has been selected and applied consistently and judgments and estimates that are reasonable and prudent are made so as to give a true and fair view of the state of affairs of the company at the end of the financial year ended 31st March, 2013 and of the Profit of your Company for that year.
- (3) That proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the Provisions of Companies Act, 1956 for safeguarding the Assets of your Company and for preventing and detecting fraud and other irregularities.
- (4) That the Annual accounts for the year ended 31st March, 2013 have been prepared on a going concern basis.

6) Corporate Governance:

Your Company is committed to achieving the best standards of Corporate Governance. To achieve this, your Company is striving to adopt best practices in Corporate Governance. The requirements of Clause 49 of the Listing Agreement has been compiled by the Company in the financial year 2012 - 2013. The Certificate of M/s. Sunderji Gosar & Co. the Statutory Auditors of the Company regarding Compliance of the Corporate Governance Code is annexed herewith. The Company has been complying with Corporate Governance to the extent and in the manner set out in Annexure 'B' forming part of this Report.

7) Conservation of Energy, Technology, Absorption and Foreign Exchange:

Information under Section 217 (1)(e) read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 are given in Annexure "A"

8) Particulars of Employees:

The Company does not have any Employee whose information are required to be given pursuant to Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975.

**9) Auditors:**

M/s. Sunderji Gosar & Co, Chartered Accountants, Mumbai, Auditors of the Company will retire at the conclusion of this Annual General Meeting and are eligible for re-appointment. The Members are requested to re-appoint the Auditors and authorize the board to fix their remuneration.

Explanation u/s. 213(2) of the Companies Act, 1956:

As regards Auditors remark in note no. "1" of notes to Account it is self explanatory needs and no further explanation.

Appreciation:

The Board wishes to record its appreciation of the efforts put in by the employees of the company, which has enabled it to grow impressively. The Directors thank the customers, vendors, investors, press and bankers for their continued support of your Company's growth. Your Directors thank the Government of India, Government of Maharashtra, Government of Gujarat, Director General of Foreign Trade, Apparel Export Promotion Council, Reserve Bank of India and other Governmental Agencies for their support during the year and look forward to their continued support.

On Behalf of the Board of Directors

**Place : Mumbai
Date : 30/05/2013**

**(KANTILAL L. HARIA)
Chairman & Managing Director**