

HARITA SEATING SYSTEMS LIMITED

(formerly HARITA GRAMMER LIMITED)



Seventh Annual Report 2002-2003

HARITA SEATING SYSTEMS LIMITED

(formerly HARITA GRAMMER LIMITED)

Board of Directors

H Lakshmanan

S I Jaffar Ali

Georg Grammer

C Narasimhan

President

S Thiagarajan

**General Manager – Finance & Secretary
and Compliance Officer**

V Thiagarajan

Bankers

INDIAN OVERSEAS BANK
Commercial & Institutional
Credit Branch,
Dr Radhakrishnan Salai
Chennai – 600 004

STATE BANK OF INDIA
Industrial Finance Branch
Anna Salai, Chennai – 600 002

Shares listed with:

The Madras Stock Exchange Ltd.
The Bangalore Stock Exchange Ltd.

Works:

Hosur-Thally Road
Belagondapalli
Dharmapuri District
Tamilnadu.
Pin - 635114
Tel.: 04347-233445
Fax: 04347-233460

Plot A2 MIDC Industrial area
Ranjangaon, Koregaon village
Shirur taluk, Pune District
Maharashtra
Pin - 412210
Tel.: 02138-232326

Registered office:

"Jayalakshmi Estates"
No.24 (Old No.8),
Haddows Road
Chennai 600 006.
Tel.: 044-28272233
Fax : 044-28272521

Auditors:

SUNDARAM & SRINIVASAN
Chartered Accountants,
23, Sir C.P. Ramaswamy Road,
Alwarpet, Chennai 600 018.

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HARITA SEATING SYSTEMS LIMITED
(formerly HARITA GRAMMER LIMITED)

Financial Highlights

(Rs. in lakhs)

Year ended	1997	1998	1999	2000	2001	2002	2003
Profit & Loss Account							
Sales	4719.69	5029.94	5091.63	5983.67	6937.37	6025.27	7873.25
Other Income	37.15	60.23	93.67	40.95	40.47	38.45	48.71
Total Income	<u>4756.84</u>	<u>5090.17</u>	<u>5185.30</u>	<u>6024.62</u>	<u>6977.84</u>	<u>6063.72</u>	7921.96
Gross Profit before interest, depreciation & tax	514.99	600.48	658.34	751.32	778.99	490.58	730.09
Depreciation	84.06	127.33	129.32	153.11	138.30	164.11	174.99
Profit before interest & tax	430.93	473.15	529.02	598.21	640.69	326.47	555.10
Interest	88.37	88.20	98.49	102.87	76.55	39.97	10.11
Profit before taxation	342.56	384.95	430.53	495.34	564.14	286.50	544.99
Profit after taxation	208.56	293.85	281.53	292.34	357.14	182.06	341.80
Balance Sheet							
Net Fixed Assets	755.50	926.58	952.22	1025.52	1226.41	1172.41	1329.35
Investments	0.06	0.11	0.11	0.10	0.08	0.06	0.06
Net Current Assets	574.62	793.25	992.15	1202.43	1167.56	1066.82	924.23
Miscellaneous expenses to the extent not written off or adjusted	8.42	6.34	4.26	2.78	—	—	—
Total	<u>1338.60</u>	<u>1726.28</u>	<u>1948.74</u>	<u>2230.83</u>	<u>2394.05</u>	<u>2239.29</u>	2253.64
Share Capital	388.45	388.45	388.45	388.45	388.45	388.45	388.45
Reserves & Surplus	440.88	627.91	806.05	987.31	1236.89	1227.27	1464.20
Net Worth	829.33	1016.36	1194.50	1375.76	1625.34	1615.72	1852.65
Loan Funds	509.27	709.92	754.24	855.07	768.71	521.02	265.25
Deferred tax liability	—	—	—	—	—	102.55	135.74
Total	<u>1338.60</u>	<u>1726.28</u>	<u>1948.74</u>	<u>2230.83</u>	<u>2394.05</u>	<u>2239.29</u>	2253.64
Earnings per share (Rs)	5.37	7.57	7.25	7.53	9.19	4.69	8.80
Dividend per share (Rs)	2.20	2.50	2.50	2.50	2.50	2.50	2.50
Book Value per share (Rs)	21.13	26.00	30.64	35.35	41.84	41.59	47.69
Return on capital employed % (ROCE)	32.2	29.0	28.4	28.0	28.2	15.2	27.8
Return on net worth (RONW) %	25.4	32.1	25.6	22.8	23.8	11.2	19.7
Fixed assets turnover (No of times)	6.25	5.98	5.42	6.05	6.16	5.02	6.29
Working capital turnover (No of times)	8.21	7.35	5.70	5.45	5.85	5.39	7.91
Gross profit as % of total income	10.8	11.8	12.7	12.5	11.2	8.1	9.2
Profit before tax as % of total income	7.2	7.6	8.3	8.2	8.1	4.7	6.9

ROCE is profit before interest and taxation divided by average networth plus loan funds.

RONW is profit after tax divided by average networth

Fixed assets turnover is sales divided by average net fixed assets as at the end of the year.

Working capital turnover is sales divided by average net current assets as at the end of the year.

HARITA SEATING SYSTEMS LIMITED
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Notice to the shareholders

NOTICE is hereby given that the Seventh Annual General Meeting of the shareholders of the company will be held at 'The Music Academy', New No.168 (Old No.306), TTK Road, Chennai 600 014 on Monday, the 4th August 2003 at 10.15 a.m. to transact the following business:

to hold office from the conclusion of this meeting till the conclusion of the next annual general meeting of the company on such remuneration as may be fixed in this behalf by the board of directors of the company.

By Order of the Board

ORDINARY BUSINESS

- To consider and if thought fit to pass with or without modification the following resolution as an ordinary resolution:

RESOLVED THAT the audited balance sheet as at 31st March 2003 and the profit and loss account of the company for the year ended on that date, together with the directors' report and the auditors' report thereon as presented to the meeting be and the same are hereby approved and adopted.

- To consider and if thought fit to pass with or without modification the following resolution as an ordinary resolution:

RESOLVED THAT the interim dividend of Rs.2.50 per share declared by the board of directors of the company on 20th June 2003 on 38,84,520 equity shares of Rs.10/- each fully paid up absorbing a sum of Rs.97.12 lakhs and paid to the shareholders on 28th June 2003 be and is hereby ratified and approved as final dividend for the year ended 31st March 2003.

- To consider and if thought fit to pass with or without modification the following resolution as an ordinary resolution:

RESOLVED THAT Mr Georg Grammer, director, who retires by rotation and being eligible for re-appointment, be and is hereby re-appointed as a director of the company.

- To consider and if thought fit to pass with or without modification the following resolution as an ordinary resolution:

RESOLVED THAT the retiring auditors, Messrs. Sundaram & Srinivasan, Chartered Accountants, Chennai be and are hereby re-appointed as auditors of the company

Bangalore
20th June 2003

V Thiyagarajan
General Manager-
Finance & Secretary

Registered office:
"Jayalakshmi Estates"
No.24 (Old No.8),
Haddows Road
Chennai 600 006

Notes:

- A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of himself and the proxy or proxies so appointed need not be a member or members as the case may be of the company. The instrument appointing the proxy and the power of attorney or other authority, if any, under which it is signed or a notorially certified copy of that power or authority shall be deposited at the registered office of the company not later than 48 hours before the time fixed for holding the meeting.
- The register of members and the share transfer books of the company will remain closed from 25th June 2003 to 27th June 2003 both days inclusive.
- The interim dividend on the equity shares as recommended by the board of directors will be paid on 28th June 2003 to those shareholders (or their mandatees) whose names appear in the register of members of the company as on 24th June 2003 in respect of shares held in depositories and as on 27th June 2003 in respect of shares held in physical form. The directors have recommended that the interim dividend so paid be considered as the final dividend for the year 2002-2003.
- The dividend declared is exempt from tax in the hands of the shareholders in terms of section 10(34) of the Income tax Act, 1961.

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5. Consequent upon the amendment to section 205A read with section 205C of the Companies Act, 1956, the dividend declared for the year ended 31st March 1996 by the erstwhile Harita Grammer Limited and Roloforms Polymer Limited will be transferred to Investor Education and Protection Fund on **27th October 2003**. Subsequent dividend declared by Harita Grammer Limited, which remain unclaimed for a period of seven years will be transferred to the Investor Education and Protection Fund established by the Central Government, on the due dates.

Members who have not encashed their dividend warrants in respect of the above period are requested to make their claim to the company by surrendering the unencashed warrants immediately.
6. Members holding shares in physical form are requested to notify to the company immediately any change in their address. Members holding shares in Depository are requested to advice change of address to their depository participants.
7. As a measure of economy, copies of the annual report will not be distributed at the annual general meeting. Members are, therefore, requested to bring their copies of the annual report to the meeting.
8. Members are requested to affix their signature at the space provided on the attendance sheet annexed to proxy form and hand over the slip at the entrance of the meeting hall.
9. In terms of clause 49 of the listing agreement with the stock exchanges, a brief resume of director who is proposed to be re-appointed at this meeting is given below:

Mr Georg Grammer

Born on May 15, 1931, Mr Georg Grammer started his career as Saddle Maker. In 1954, he started his own business in manufacturing seat cushion for tractors. This company grew continuously and became pioneer in manufacturing suspension seats for tractors, construction machines, fork lift truck, medium & heavy trucks, passenger seats for buses and trains, and interior equipment for the automotive industry, etc.

He became CEO of Grammer AG, and was holding that position till 1988. Since then he is the chairman of the Supervisory board of Grammer AG.

HARITA SEATING SYSTEMS LIMITED

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Directors' report to the shareholders

The directors herewith present the seventh annual report of the company and the audited accounts for the year ended 31st March 2003.

FINANCIAL HIGHLIGHTS

	(Rs. in Lakhs)	
	Year ended 31.03.2003	Year ended 31.03.2002
Sales and other income	7,921.96	6,063.72
Gross profit before interest and depreciation	730.09	490.58
Interest	10.11	39.97
Depreciation	174.99	164.11
Profit before tax	544.99	286.50
Provision for taxation	170.00	108.00
Deferred tax for the year	33.19	(3.56)
Profit after tax	341.80	182.06
Add: Surplus brought forward	103.23	156.74
Tax relating to earlier years	4.70	11.55
Profit available for appropriation	449.73	350.35
Dividend	97.12	97.12
Tax on dividend	12.44	—
Transfer to general reserve	200.00	150.00
Surplus in profit and loss account	140.17	103.23

DIVIDEND

The directors have approved payment of interim dividend at the rate of Rs.2.50 per share on 38,84,520 equity shares of Rs.10/- each at their meeting held on 20th June 2003, absorbing a sum of Rs.97.12 lakhs. The dividend will be paid to those shareholders whose names appear in the register of members of the company as on 24th June 2003 in respect of shares held in depositories and as on 27th June 2003 in respect of shares held in physical form. The directors do not recommend any further dividend, by way of final dividend for the year ended 31st March 2003.

PERFORMANCE DURING THE YEAR

In contrast to the negative growth of the previous year, the company has posted a growth of 31% in sales during the year 2002-03 over the previous year. Sales during the year 2002-03 stood at Rs.78.73 crores as against Rs.60.26 crores in 2001-02. The profit after tax rose by 88% to Rs.341.80 lakhs over Rs.182.06 lakhs for the previous year. Better

utilisation of existing resources and several measures taken by the company such as productivity improvement, cost reduction, waste elimination have all contributed to increased profits. Except the tractor seat and car seat segments, all other segments have contributed to the positive growth.

The two-wheeler seat segment grew by 51% over the previous year, due to the excellent performance of TVS Motor Company Limited during the year 2002-2003. The company's efforts in penetrating the semi-deluxe bus segment through a range of new products and increasing the market share in deluxe segment by increasing market coverage helped in enhancing the sales turnover from this segment by 50% over the previous year.

The tractor industry has been passing through difficult times in the recent past and the year 2002-03 was no exception. The tractor sales declined by 25% over the previous year. Consequently the company's sales also suffered a negative growth of 28%. However, the company retained its market share in this segment.

During the last quarter of the financial year the company executed a 100% export order for manufacture and export of fitness equipment to a French firm. This business has resulted in sales to the tune of Rs.1.23 crores during the year 2002-2003. Buoyed by the growth of commercial vehicles during 2002-03, the company could increase its turnover from this segment to Rs 15.7 crores, a growth of 12% over the previous year.

The outlook, the financial and operational performance of the company for the year under review alongwith other material disclosures are furnished in the management discussion and analysis report as a separate statement in terms of clause 49 of the listing agreement, forming part of the annual report.

NAME CHANGE

Consequent to the termination of joint venture agreement with Grammer AG and after approval from shareholders and Central Government, the name of the company was changed to Harita Seating Systems Limited effective 27th September 2002.

DIRECTORS

Consequent to the termination of the joint venture agreement with M/s Grammer AG, Germany, and transfer of their equity holding in the company to the Indian promoters, Mr Peter Nagel resigned from the board effective 7th August 2002. The directors wish to place on record their appreciation of the services rendered by Mr Peter Nagel during his tenure as director of the company.

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Mr Venu Srinivasan, chairman, resigned from the board effective 6th February 2003. The directors wish to place on record their appreciation of the services rendered by Mr Venu Srinivasan during his tenure as chairman of the company.

Mr Georg Grammer retires at the ensuing annual general meeting of the company and being eligible offers himself for re-appointment.

AUDITORS

M/s Sundaram & Srinivasan, Chartered Accountants, Chennai, retire at the ensuing annual general meeting and are eligible for re-appointment.

STATUTORY STATEMENTS

As per the requirements of section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, the information regarding conservation of energy, technological absorption and foreign exchange earnings and outgo are furnished in annexure I to this report.

The particulars required pursuant to section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, are furnished in annexure II to this report.

As required under section 217(2AA) of the Companies Act, 1956, the directors' responsibility statement is given in annexure III to this report.

CORPORATE GOVERNANCE

The requirement of compliance of the code of corporate governance is applicable to the company from the current

year. The company has already constituted the audit committee and investors grievance committee as required by the listing agreement. The particulars of compliance of the code of corporate governance in terms of the listing agreement are furnished in the report of corporate governance, which forms part of the annual report. A certificate from the statutory auditors of the company regarding compliance of the conditions of corporate governance as stipulated in clause 49 of the listing agreement is also attached to this report.

ACKNOWLEDGEMENT

The directors gratefully acknowledge the co-operation received from M/s Grammer AG, Germany for the smooth manner in which the disengagement process was completed. The directors also acknowledge the support and co-operation received from the promoters, Harita Group, Chennai.

The directors thank the customers, suppliers, financial institutions and bankers for their valuable support and assistance.

The directors wish to place on record their appreciation of the sincere efforts of all the employees of the company during the year under review.

The directors also thank the shareholders for their continued faith in the company.

By Order of the Board

Bangalore
20th June 2003

C Narasimhan
Director

S I Jaffar Ali
Director

HARITA SEATING SYSTEMS LIMITED
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Annexure I to the Directors' report for the year ended 31st March, 2003

INFORMATION PURSUANT TO SECTION 217(1) (e) OF THE COMPANIES ACT, 1956

A. CONSERVATION OF ENERGY

(1) Measures taken

- (i) Changeover to superior kerosene oil (SKO) from high speed diesel (HSD) for diesel generator, powder coating and canteen equipment.
- (ii) Optimisation of the energy demand at 500 KVA from 730 KVA.
- (iii) Introduction of hydraulic oil purification system for foaming plant.

The above measures have resulted in an annual saving of Rs.16.39 lakhs.

(2) Proposed measures

- (i) Introduction of solar water heating system for canteen.
- (ii) Conversion to variable frequency drive for motors.
- (iii) Introduction of solar lighting system for office and canteen equipment.

The above measures are expected to yield an annual saving of approximately Rs.3.50 lakhs.

B. TECHNOLOGY ABSORPTION

Research & Development

(1) SPECIFIC AREAS IN WHICH R&D IS CARRIED OUT IN THE COMPANY:

- (i) Development of deluxe segment bus passenger seats and its variants for various market segments.
- (ii) Development of new generation metro passenger seats for railway application.
- (iii) Development of seats for new models of two wheelers with enhanced riding comfort and aesthetics.
- (iv) Development of driver seats with special features for construction equipment.
- (v) Development of High-end tractor seats for Export vehicles.
- (vi) Upgradation of driver seats for LCV / HCV meeting the latest regulation requirements.

(2) BENEFITS DERIVED AS A RESULT OF ABOVE MEASURES

- (i) Enhanced presence in bus passenger seat segment and market.
- (ii) Expanded market in driver & tractor seat segments
- (iii) Additional sales from railways.
- (iv) Enhanced comfort level to the passenger and drivers during long journey.

(3) FUTURE PLAN OF ACTION

- (i) Introduction of tractor seats for low hp tractor segment through cost effective products.
- (ii) Development of new generation bus passenger seats
- (iii) Development of new type of seating systems for exports.
- (iv) Development of new type driver seats with add-on features for different applications.
- (v) Development of seats for new models of two wheelers.

(4) EXPENDITURE ON R&D Rs. in lakhs

(i) Capital	42.36
(ii) Recurring	68.02
(iii) Total	<u>110.38</u>
(iv) Total expenditure as a percentage of turnover.	1.40%

(5) TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

- (i) Efforts in brief:
 - (a) Development of cost effective alternate materials and process to meet customer target prices.
 - (b) Rationalisation of products in bus passenger seats, driver seats and tractor seat segments using modular concepts.
 - (c) Exploration of new technique in "Foam in Place" moulding process.
- (ii) Benefits derived as a result of the above will be improvement in manufacturing process, upgradation of technology, improvement in product quality, productivity and passenger comfort besides improvement in profitability.

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(iii) Details relating to imported technology:

(a) Manufacture of polyurethane seat cushions using foam in place technology for automotive application.

Year of import: 1987

Has technology been fully absorbed: Yes

(b) Design, development and manufacture of seat supporting mechanisms for automotive application.

Year of import: 1987

Has the technology been fully absorbed: Yes.

fitness equipment to Europe on contract manufacturing basis, to the tune of Rs.1.23 crores.

ii) The company is continuing with the efforts to export passenger and driver seats and seat components to Middle East and Far East countries.

b) Total foreign exchange used and earned:

Foreign exchange earnings: Rs.145.68 lakhs

Foreign exchange outgo: Rs.93.15 lakhs

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO

By Order of the Board

a) Activities relating to export:

i) During the year 2002-2003 the company was able to develop and export physical

Bangalore
20th June 2003

C Narasimhan
Director

S I Jaffar Ali
Director



HARITA SEATING SYSTEMS LIMITED
(formerly HARIYA GRAMMER LIMITED)

Annexure II to the Directors' report for the year ended 31st March, 2003

Particulars of employees as per section 217(2A) of the Companies Act, 1956

Sl. No.	Name	Age (yrs)	Designation	Date of employment	Remuneration (Gross) Rs.	Qualification	Experience (Years)	Previous Employment
1	S Thiagarajan	55	President	27.11.1995	28,03,070	BE (Mech.) PDGBM (IIM-A)	30	Sr. Vice President - Fisher Xomox (India) Ltd.

Notes:

- 1) Years of experience include experience prior to joining the company also.
- 2) Remuneration comprises of salary, dearness allowance wherever applicable, lease rent paid, special allowance, contribution to provident fund and superannuation fund, medical reimbursement, medical insurance premium, leave travel assistance and other benefits evaluated under Income Tax Rules.
- 3) Besides, the employee is entitled to gratuity as per rules.
- 4) The above employee is not related to any of the directors of the company.
- 5) Terms of employment is contractual.
- 6) The above employee, either individually or together with spouse or children, does not hold more than 2% of the equity shares of the company.

Bangalore
20th June 2003

C Narasimhan
Director

S I Jaffar Ali
Director