

HARITA SEATING SYSTEMS LIMITED



Eighth Annual Report 2003-2004

HARITA SEATING SYSTEMS LIMITED**Board of Directors**

H Lakshmanan
 S I Jaffar Ali
 Georg Grammer
 C Narasimhan
 Martin Grammer

President

S Thiagarajan

General Manager – Finance & Secretary and Compliance Officer

V Thiagarajan

Bankers

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

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

Shares listed with:

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

Works:

Hosur-Thally Road
 Belagondapalli
 Krishnagiri 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 : 044-28257121

Auditors:

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

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HARITA SEATING SYSTEMS LIMITED

Financial Highlights

(Rs. in lakhs)

Year ended	1998	1999	2000	2001	2002	2003	2004
Profit & Loss Account							
Sales	5029.94	5091.63	5983.67	6937.37	6025.27	7873.25	9202.06
Other Income	60.23	93.67	40.95	40.47	38.45	48.71	90.81
Total Income	5090.17	5185.30	6024.62	6977.84	6063.72	7921.96	9292.87
Gross Profit before interest, depreciation & tax	600.48	658.34	751.32	778.99	490.58	730.09	894.03
Depreciation	127.33	129.32	153.11	138.30	164.11	174.99	212.76
Profit before interest & tax	473.15	529.02	598.21	640.69	326.47	555.10	681.27
Interest	88.20	98.49	102.87	76.55	39.97	10.11	0.35
Profit before taxation	384.95	430.53	495.34	564.14	286.50	544.99	680.92
Profit after taxation	293.85	281.53	292.34	357.14	182.06	341.80	437.69
Balance Sheet							
Net Fixed Assets	926.58	952.22	1025.52	1226.41	1172.41	1329.35	1564.07
Investments	0.11	0.11	0.10	0.08	0.06	0.06	661.12
Net Current Assets	793.25	992.15	1202.43	1167.56	1066.82	924.23	305.29
Miscellaneous expenses	6.34	4.26	2.78	--	--	--	--
Total	1726.28	1948.74	2230.83	2394.05	2239.29	2253.64	2530.48
Share Capital	388.45	388.45	388.45	388.45	388.45	388.45	388.45
Reserves & Surplus	627.91	806.05	987.31	1236.89	1227.27	1464.20	1767.96
Net Worth	1016.36	1194.50	1375.76	1625.34	1615.72	1852.65	2156.41
Loan Funds	709.92	754.24	855.07	768.71	521.02	265.25	240.10
Deferred tax liability	--	--	--	--	102.55	135.74	133.97
Total	1726.28	1948.74	2230.83	2394.05	2239.29	2253.64	2530.48
Earnings per share (Rs)	7.57	7.25	7.53	9.19	4.69	8.92	11.20
Dividend per share (Rs)	2.50	2.50	2.50	2.50	2.50	2.50	3.00
Book Value per share (Rs)	26.00	30.64	35.35	41.84	41.59	47.69	55.51
Return on capital employed % (ROCE)	29.0	28.4	28.0	28.2	15.2	27.8	30.4
Return on net worth % (RONW)	32.1	25.6	22.8	23.8	11.2	19.7	21.8
Fixed assets turnover (No of times)	5.98	5.42	6.05	6.16	5.02	6.29	6.36
Working capital turnover (No of times)	7.35	5.70	5.45	5.85	5.39	7.91	14.97
Gross profit as % of total income	11.8	12.7	12.5	11.2	8.1	9.2	9.6
Profit before tax as % of total income	7.6	8.3	8.2	8.1	4.7	6.9	7.3

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

RONW is profit after tax divided by average network.

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

Notice to the shareholders

NOTICE is hereby given that the Eighth Annual General Meeting of the shareholders of the company will be held at Kasturi Srinivasan Hall (Mini Hall), 'The Music Academy', New No.168 (Old No.306), TTK Road, Chennai 600 014 on Thursday, the 19th August 2004 at 10.15 a.m. to transact the following business:

ORDINARY BUSINESS

1. 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 2004 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.

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

RESOLVED THAT pursuant to the recommendation of directors, a dividend of Rs.3/- per share absorbing a sum of Rs.116.54 lakhs be and is hereby declared on 38,84,520 equity shares of Rs. 10/- each fully paid up comprised in the paid up equity share capital of the company viz., Rs. 388.45 lakhs, for the year ended 31st March 2004 and the same be paid to the shareholders whose names appear in the register of members of the company as at the close of 16th August 2004.

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

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

4. 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 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.

SPECIAL BUSINESS

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

RESOLVED THAT Mr Martin Grammer be and is hereby appointed as a director of the company, liable to retire by rotation.

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

RESOLVED THAT approval be and is hereby accorded to the board of directors in terms of Section 163 and other applicable provisions of the Companies Act, 1956 (the Act) to keep the register of members, the index of members and register and index of debentureholders, if any, and copies of all annual returns prepared under Section 159 of the Act together with the certificates and documents required to be annexed thereto under Section 161 of the Act at the office of Sundaram-Clayton Limited (SCL), Share Transfer Agents of the company (STA), at No.31, Railway Colony, III Street, Mehta Nagar, Chennai 600 029, or such other place within the city limits of Chennai where SCL decides to carry on the share registry work instead of keeping at the registered office of the company from such date as may be decided by the board of directors or a committee of the directors by giving not less than 30 days notice to the shareholders / debentureholders.

By Order of the Board

Chennai
16th July 2004

V Thiyagarajan
General Manager-
Finance & Secretary

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

Notes:

1. 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

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instrument appointing the proxy and the power of attorney or other authority, if any, under which it is signed or a notarially 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.

2. The explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the special business as set out in the notice is annexed hereto.
3. The register of members and the share transfer books of the company will remain closed from 17th August 2004 to 19th August 2004 both days inclusive.
4. The dividend on the equity shares as recommended by the board of directors will be paid on 26th August 2004 to those shareholders (or their mandatees) whose names appear in the register of members of the company as at close of 16th August 2004.
5. In terms of Section 205A read with Section 205C of the Companies Act, 1956, the dividends declared by the company which remain unclaimed for a period of seven years will be transferred to the Investor Education and Protection Fund (IEPF) established by the Central Government on the due dates. The particulars of due dates for transfer of such unclaimed dividends to IEPF are furnished in the report on corporate governance forming part of the annual report.

Members who have not encashed their dividend warrants are requested to make their claim by surrendering the unencashed warrants immediately to the company.
6. Members holding shares in physical form, in their own interest, are requested to dematerialise the shares to avail the benefits of electronic holding / trading.
7. Members 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.
8. 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.

9. Members are requested to affix their signature at the space provided on the attendance sheet annexed to the proxy form and hand over the slip at the entrance of the meeting hall.
10. In terms of clause 49 of the listing agreement with stock exchanges, a brief resume of directors who are proposed to be appointed / re-appointed at this meeting is given below:

I. Mr S I Jaffar Ali

Born on 30th November, 1938, Mr S I Jaffar Ali is a post-graduate in economics from Madras University and also a law graduate from Madras Law College. He was co-opted as a director by the board on 22nd January 1997.

He held senior positions in the Indian Police service and retired in the year 1995 as Inspector General of Police. He is member of the audit committee of the board of directors of the company.

Directorships and committee position held by him in other companies - Nil.

II. Mr Martin Grammer:

Born on 5th June, 1960 in Amberg, Germany, Mr Martin Grammer holds a degree in Business Economics from University Nuremberg, Germany. He was co-opted as a director by the board on 21st January 2004.

He has vast experience in international marketing and consultancy areas. He has served in internationally renowned companies which include Magna International Inc., Toronto, Canada, a leading supplier to the global automotive industry and Roland Berger & Partner, a leading international management consultant in Germany and Europe. He held the position as managing director and member of Executive Committee Board of Grammer AG., Germany for ten years, a leading supplier to the global automotive industry. Since 2003, he has been serving as a member of the board of directors of GHE S.p.A, Milano, Italy, a leading supplier of European bus and train interiors industry with manufacturing locations in Italy, Germany, Spain, UK, Czech Republic and Mexico.

HARITA SEATING SYSTEMS LIMITED

Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956.

The following explanatory statement sets out all the material facts relating to the special business mentioned in the accompanying notice dated 16th July 2004 and shall be taken as forming part of the notice.

Item no. 5

Mr Martin Grammer was appointed as an additional director of the company with effect from 21st January 2004. In terms of section 260 of the Companies Act, 1956, Mr Martin Grammer will hold office only upto the date of this annual general meeting.

Notice has been received from a member of the company under section 257 of the Companies Act, 1956, alongwith a deposit of Rs.500/- signifying his intention to propose the candidature of Mr Martin Grammer for the office of director and to move the resolution as set out in item no.5 of this notice.

The directors recommend the resolution to be adopted as an ordinary resolution by the shareholders.

Mr Martin Grammer and Mr Georg Grammer being his relative are deemed to be concerned or interested in the resolution.

Item no. 6

In terms of Section 163 of the Companies Act, 1956, (the Act), the register of members, index of members and register and index of debentureholders, and copies of all annual returns of the company prepared under Section 159 of the Act together with copies of certificates and documents which are required to be annexed thereto are required to be kept at the registered office of the company.

At present, the company is handling the share transfer work in-house in respect of shares held in physical form. In respect of shares held in electronic form in the depositories, the electronic connectivity is being provided by the depository registrars, M/s. Trident Investment and Portfolio Services (P) Limited, Chennai.

Securities Exchange Board of India (SEBI) vide its circular No.D & CC / FITTC/ Cir-15 dated 27th December 2002 has insisted that the company shall have a common agency for handling the share registry work for both physical and electronic transfers i.e., either in-house by the company or by a SEBI registered Registrar and Transfer Agent (RTA).

The board of directors have appointed Sundaram Clayton Limited (SCL) as share transfer agents to carry on the registry work pertaining to transfer of shares in physical form and to provide connectivity with the depositories for handling the transactions taking place through depositories in electronic form. Consequently, the records as detailed in the resolution will have to be shifted to the share registry office of SCL. In terms of Section 163 of the Companies Act, 1956, approval of the shareholders is sought by a special resolution for keeping the register and index of members and other records as set out in the resolution to be kept outside the registered office of the company.

Individual notices will be sent to the shareholders 30 days in advance of the date on and from which the appointment of SCL as share transfer agent will take effect.

A copy of the proposed special resolution is being delivered to the Registrar of Companies, Tamilnadu.

The directors recommend the resolution for the approval of the shareholders as a special resolution.

None of the directors is interested or concerned in the resolution.

By Order of the Board

V Thiyagarajan
General Manager-
Finance & Secretary

Chennai
16th July 2004

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

HARITA SEATING SYSTEMS LIMITED

Directors' report to the shareholders

The directors herewith present the eighth annual report of the company and the audited accounts for the year ended 31st March 2004.

FINANCIAL HIGHLIGHTS

	(Rs. in Lakhs)	
	Year ended 31.03.2004	Year ended 31.03.2003
Sales and other income	9,292.87	7,921.96
Gross profit before interest and depreciation	894.03	730.09
Interest	0.35	10.11
Depreciation	212.76	174.99
Profit before tax	680.92	544.99
Provision for taxation	243.23	203.19
Profit after tax	437.69	341.80
Add: Surplus brought forward	140.17	103.23
Tax relating to earlier years	(2.46)	4.70
Profit available for appropriation	575.40	449.73
Dividend	116.54	97.12
Tax on dividend	14.93	12.44
Transfer to general reserve	300.00	200.00
Surplus in profit and loss account	143.93	140.17

DIVIDEND

The directors recommend a dividend of 30 % for the year ended 31st March 2004. The dividend, if approved by the shareholders, would absorb a sum of Rs. 116.54 lakhs and will be paid to all shareholders whose names stand on the register of members as at the close of 16th August 2004.

PERFORMANCE DURING THE YEAR

During the year under review sales grew by 17% over the previous year to Rs.92.02 crores from Rs.78.73 crores. During the same period, profit after tax rose from Rs.341.80 lakhs to Rs.437.69 lakhs, thus recording a growth of 28% over the previous year.

APPROPRIATIONS

The company proposes to transfer Rs.300 lakhs to the general reserve. An amount of Rs.143.93 lakhs is proposed to be retained in the profit and loss account.

DIRECTORS

Mr Martin Grammer was appointed as an additional director with effect from 21st January 2004. In terms of section 260 of the Companies Act, 1956, Mr Martin Grammer will retire at the ensuing annual general meeting. Notice has been received from a member of the company signifying his intention to propose the candidature of Mr Martin Grammer for the office of director at the ensuing annual general meeting.

Mr S I Jaffar Ali, director retires at the ensuing annual general meeting of the company and being eligible offers himself for re-appointment.

AUDITORS

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

CORPORATE GOVERNANCE

As required by clause 49 of the listing agreement, a management discussion and analysis report and a report on corporate governance are enclosed. A certificate from the auditors of the company regarding compliance of the conditions of corporate governance as stipulated by clause 49 of the listing agreement is attached to this report.

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, technology absorption and foreign exchange earnings and outgo are furnished in annexure I to this report.

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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.

ACKNOWLEDGEMENT

The directors 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

Chennai
16th July 2004

H. LAKSHMANAN
Director

C. NARASIMHAN
Director

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HARITA SEATING SYSTEMS LIMITED

Annexure I to the Directors' report for the year ended 31st March, 2004

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

A. CONSERVATION OF ENERGY

(1) Measures taken

- (i) Introduced solar water heating system for canteen and solar lighting system in the factory.
- (ii) Optimisation of the energy demand at 450 KVA from 500 KVA.
- (iii) Introduction of high energy pumps for pre-treatment process.
- (iv) Conversion to variable frequency drive in transporter.

The above measures have resulted in an annual saving of Rs.18.19 lakhs.

(2) Proposed measures

- (i) Changeover to liquefied petroleum gas (LPG) from high speed diesel (HSD) for powder coating heating process for conservation of energy.
- (ii) Conversion to variable frequency drive for motors.
- (iii) Introduction of solar lighting system for office.
- (iv) Modification of chilling plant.
- (v) High energy motors for foaming process.

The above measures are expected to yield an annual saving of approximately Rs.7.50 lakhs.

B. TECHNOLOGY ABSORPTION

Research & Development

1. SPECIFIC AREAS IN WHICH R&D IS CARRIED OUT IN THE COMPANY

- i) Development of sitting day coach seats for Indian Railways.
- ii) Development of low HP tractor seats for domestic market.
- iii) Development of seats for new models of two wheelers.
- iv) Development of seats for auditorium segment.
- v) Development of new concept city bus passenger seats.
- vi) Development of seats for semi-deluxe seats for State Transport Undertakings.

2. BENEFITS DERIVED AS A RESULT OF ABOVE MEASURES:

- i) Enhanced market share in bus passenger seat segment.
- ii) Enhanced market presence in tractor and driver seat segment.
- iii) Enhanced aesthetics and comfort levels to passengers and drivers.
- iv) Entry into non-automotive seating segments such as auditorium.

3. FUTURE PLAN OF ACTION:

- i) Development of new platform for premium bus passenger seat.
- ii) Development of variants in semi-deluxe and deluxe bus passenger seats.
- iii) Development of seats for new models of two wheeler seats.
- iv) Development of modular suspended driver seats.
- v) Development of seats for Multi Utility Vehicles and Low tonnage vehicles.
- vi) Development of new type seats for Exports.

4. EXPENDITURE ON R&D

Rs. in lakhs

(i) Capital	72.55
(ii) Recurring	96.06
(iii) Total	<u>168.61</u>
(iv) Total expenditure as a percentage of turnover.	1.81%

5. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

- (i) Efforts in brief:
 - a) Development of alternate materials and processes to reduce the material cost.
 - b) Exploration of various technologies in polyurethane foaming.
- (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.

HARITA SEATING SYSTEMS LIMITED

(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.

ii) The company is continuing its efforts to export driver seats and seat components to USA, European Union, middle east and far east nations.

b) Total foreign exchange used and earned:

Foreign exchange earnings: Rs.384.33 lakhs

Foreign exchange outgo: Rs.164.72 lakhs

By Order of the Board

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

a) Activities relating to export:

i) During the year 2003-04 export increased to Rs.3.84 crores from Rs.1.40 crores in the previous year.

Chennai
16th July 2004

H Lakshmanan
Director

C Narasimhan
Director

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