

HARITA SEATING SYSTEMS LIMITED

Fourteenth Annual Report 2009-2010

Board of Directors

H Lakshmanan, *Chairman*
S I Jaffar Ali
Martin Grammer
C N Prasad

President

A G Girdharan

Secretary & Compliance Officer

N Iswarya Lakshmi

Audit Committee

H Lakshmanan, *Chairman*
S I Jaffar Ali
C N Prasad

Investors' Grievance Committee

H Lakshmanan, *Chairman*
S I Jaffar Ali
C N Prasad

Remuneration Committee

H Lakshmanan, *Chairman*
S I Jaffar Ali
C N Prasad

Bankers

State Bank of India
Industrial Finance Branch
Anna Salai, Chennai 600 002

State Bank of Mysore
Industrial Finance Branch
Anna Salai, Chennai 600 006

Auditors

Sundaram & Srinivasan
Chartered Accountants,
New No.4 (Old 23) Sir C.P. Ramaswamy Road,
Alwarpet, Chennai 600 018.

Shares listed with

Madras Stock Exchange Ltd., Chennai.
Bangalore Stock Exchange Ltd., Bengaluru.
National Stock Exchange of India Ltd., Mumbai.

Share Transfer Agent

Sundaram-Clayton Limited
New No.22, Old No.31,
Railway Colony, 3rd Street.
Mehta Nagar, Chennai - 600 029
Tel : 044 - 2374 1889, 2374 2939
Fax : 044 - 2374 1889
E-mail: investorscomplaintssta@scl.co.in
ni.iswarya@scl.co.in

Registered Office

"Jayalakshmi Estates"
No.29 (Old No.8) Haddows Road
Chennai - 600 006, Tamilnadu, India.
Tel.: 044-28272233 Fax: 044-28257121

Factories

Belagondapalli, Thally Road,
Hosur - 635 114, Tamilnadu, India.
Tel : 04347-233445 Fax : 04347-233460

Plot A2 MIDC Industrial area
Ranjangaon, Koregaon village
Shirur taluk, Pune District - 412 210
Maharashtra, India.
Tel : 02138-660742

Chaurasia Road, Pargana Plassi
Bhatian Village, Thesil Nalagarh
Solani District, PIN - 174 101
Himachal Pradesh, India.
Tel : 01795-220562

Plot No. 116, 117, 125 A
Bommasandra Industrial Area
Bengaluru - 560 099
Karnataka, India.
Tel : 080 27832851 Fax : 080 27832853

Web site :

www.haritaseating.com

Subsidiary Company

Harita Fehrer Limited

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Financial Highlights							
(Rupees in lakhs)							
Year ended	2004	2005	2006	2007	2008	2009	2010
Profit & Loss Account							
Sales	9202.06	11798.82	13736.82	15547.33	19104.87	19625.18	22356.35
Other income	90.81	117.93	143.80	149.41	271.76	196.98	893.51
Total income	9292.87	11916.75	13880.62	15696.74	19376.63	19822.16	23249.86
Gross profit before							
Interest, depreciation & tax	894.03	987.92	1292.85	1363.01	1772.58	330.76	1487.56
Depreciation	212.76	269.39	315.28	386.34	532.93	696.92	883.52
Profit / (Loss) before Interest & tax	681.27	718.53	977.57	976.67	1239.65	(366.16)	604.04
Interest	0.35	0.28	31.78	75.75	286.90	424.77	704.44
Profit / (Loss) before taxation	680.92	718.25	945.79	900.92	952.75	(790.93)	(100.40)
Profit / (Loss) after taxation	437.69	451.78	638.79	583.92	641.25	(892.09)	8.81
Balance Sheet							
Net fixed assets	1564.07	1878.8	2337.96	4380.64	5546.86	7999.88	4705.11
Investment	661.12	367.96	407.87	350.00	437.38	259.85	2988.76
Net Current Assets	305.29	598.89	1420.19	1866.44	725.77	5217.27	900.36
Total	2530.48	2845.65	4166.02	6597.08	6710.01	13477.00	8594.23
Share Capital	388.45	388.45	388.45	388.45	776.90	776.90	776.90
Reserves & Surplus	1767.96	2082.72	2522.17	2902.57	2930.94	2055.78	2072.98
Net Worth	2156.41	2471.17	2910.62	3291.02	3707.84	2832.68	2849.88
Loan Funds	240.10	220.04	1091.96	3125.62	2639.73	10200.03	5422.27
Deferred tax liability	133.97	154.44	163.44	180.44	362.44	444.29	322.08
Total	2530.48	2845.65	4166.02	6597.08	6710.01	13477.00	8594.23
Earnings per share (Rs.)							
Earnings per share (Rs.)	11.20	11.75	16.44	15.03	^ 8.25	(11.48)	0.11
Dividend per share (Rs.)	3.00	3.20	4.50	4.50	2.50	-	-
Book value per share (Rs.)	55.51	63.62	74.93	84.72	47.73	36.46	36.68
Return on capital employed % (ROCE)*	30.40	28.40	25.80	18.70	19.40	(2.69)	7.31
Return on networth % (RONW) **	21.80	19.50	23.70	18.80	18.30	(27.28)	0.31
Fixed asset turnover (No. of times) #	6.36	6.85	6.52	4.63	3.85	2.90	3.52
Working capital turnover (No. of times)@	14.97	26.10	13.61	9.46	14.74	6.60	7.31
Gross profit as % of total income	9.60	8.30	9.30	8.70	9.10	1.70	6.40
Profit / (Loss) before tax as % of total income	7.30	6.00	6.80	5.70	4.90	(4.00)	(0.43)

* 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.

^ Adjusted for bonus issue.

Notice to the Shareholders

NOTICE is hereby given that the fourteenth annual general meeting of the shareholders of the Company will be held at Kasturi Srinivasan Hall (Mini Hall), The Music Academy, No.168, (Old 306) T. T. K Road, Chennai 600 014 on Monday, the 6th September 2010 at 2.30 p.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 2010 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 Mr C N Prasad, director, who retires by rotation and being eligible for re-appointment, be and is hereby re-appointed as a director of the Company."

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

"RESOLVED THAT the retiring auditors, M/s. Sundaram & Srinivasan, Chartered Accountants, Chennai, having the firm registration no. 004207S issued by The Institute of Chartered Accountants of India, be and are hereby re-appointed as auditors of the Company to hold office from the conclusion of this annual general 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

Chennai
30th July 2010

N Iswarya Lakshmi
Secretary

Registered office:
"Jayalakshmi Estates"
No.29 (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 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 of attorney or other 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 register of members and the share transfer books of the Company will remain closed for a period of 5 days from 2nd September 2010 to 6th September 2010 (both days inclusive), for the purpose of the annual general meeting of the Company.
3. 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 on due dates to the Investor Education and Protection Fund (IEPF) established by the Central Government. 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.
4. Members holding shares in physical form, in their own interest, are requested to dematerialize the shares to avail the benefits of electronic holding/trading.
5. Members are requested to notify to the Company any change in their address immediately. Members holding shares in electronic form are requested to advise change of address to their depository participants.
6. 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.

7. 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.
8. In terms of clause 49(IV)(G) of the Listing Agreement with the Stock Exchanges, a brief resume of the director, who is proposed to be re-appointed in this meeting, nature of his expertise in specific functional areas, his other directorships and committee memberships and his shareholdings and relationships with other directors in the Company are given below:

Mr C N Prasad

Born on 1st July 1947, Mr C N Prasad is a graduate in mechanical engineering and postgraduate in manufacturing technology from Cranfield University, UK. He is also an MBA in Technology Management from La Trobe University, Australia.

His experience includes 16 years in Hindustan Aeronautics Limited in various areas of manufacturing, production engineering and project management, 3 years in Kinetic Honda, Indore as Works Manager and 15 years in Rane Engine Valves Limited (REVL) as Director and CEO.

During his tenure as CEO of REVL a strong quality orientation and customer centricity were brought into the Company that resulted in several accolades and achievements. REVL was one of the earliest companies in India to secure ISO 9000 certification in 1993, won the best vendor awards from Maruti and Deutz, Germany. The export business and turnover of REVL grew several folds during his tenure.

He joined Sundaram-Clayton Limited (SCL) in February 2003 as President and was elevated as President – automotive products division effective June 2006 with overall responsibilities for SCL.

During his tenure, the erstwhile brakes division of SCL won several awards and recognitions from customers and external agencies including the following:

- ACMA Gold trophy for “Manufacturing Excellence” in 2003 by Automotive Components Manufacturers’ Association;
- Frost & Sullivan, India Manufacturing Excellence Award – Overall Gold in 2005;
- Frost & Sullivan, India Manufacturing Excellence Award – Super Platinum in 2007; and
- Japan Institute of Plant Maintenance (JIPM) – Total Productive Maintenance (TPM) Category 1 Award

He has been awarded ITM Awards for Corporate Excellence in 2006 by ITM Business School and has also been awarded ‘Best CEO’ by Quality Circle Forum of India (QCFI) for the year 2007.

Effective June 2009, he has been elevated as President & CEO- automotive products division with overall responsibilities for SCL.

He is the member of the Audit Committee, Investors’ Grievance Committee and Remuneration Committee of directors of the Company.

He does not hold any share in the Company and he is not related to any other director of the Company.

Details of his other directorships and memberships / chairmanships of committees are given below:

S.No	Name of the Company	Position held	Committee memberships/ chairmanships
1	WABCO-TVS (INDIA) Limited	Director	(a) Member- Audit Committee (b) Member-Shareholders/Investors’ Grievance Committee
2	Harita Fehrer Limited	Director	Member-Audit Committee
3	Sundaram Auto Components Limited	Director	Member-Audit Committee
4	Harita-NTI Limited	Director	(a) Member-Audit Committee (b) Member-Remuneration Committee
5	TVS Energy Limited	Director	Member – Audit Committee
6	TVS Housing Limited	Director	–

Directors' report to the shareholders

The directors have pleasure in presenting the fourteenth annual report of the Company and the audited accounts for the year ended 31st March 2010.

1. FINANCIAL HIGHLIGHTS

	Rs. in lakhs	
	Year ended 31.3.2010	Year ended 31.3.2009
Sales and other income	23,249.86	19,822.16
Gross profit before interest, depreciation and tax	1,487.56	330.76
Interest	704.44	424.77
Depreciation	883.52	696.92
Profit / (Loss) before tax	(100.40)	(790.93)
Provision for taxation (including FBT and Deferred Tax)	(109.21)	101.16
Profit / (Loss) after tax	8.81	(892.09)
Add: Surplus brought forward	-	230.94
Profit / (Loss) available for appropriation	8.81	(661.15)
<u>Appropriations:</u>		
Tax relating to earlier years	(8.39)	(16.63)
Depreciation relating to earlier years	-	(0.30)
Surplus / (deficit) in profit and loss account	17.20	(644.22)

2. DIVIDEND

The board of directors of the Company has not recommended any dividend for the year ended 31st March 2010 in view of the inadequacy of profits of the Company.

3. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The Company provides seating solutions for transport applications and has established a leading position in the country catering to all segments of the automotive industry.

INDUSTRY STRUCTURE AND DEVELOPMENTS

The global financial crisis, that began in the second half of 2008-09, had adversely affected the Company's turnover during the second half of that year. The current fiscal year 2009-10 also started with continuing adverse effects on the Company's business. However, during the year, the Indian economy posted a remarkable recovery, not only in terms of overall growth figures but, more importantly, in terms of certain fundamentals.

Due to growth in manufacturing sector, industry grew by 8.2% as compared to 3.9% in 2008-09. The growth of service sector was estimated at 8.7% in 2009-10 as compared to 9.8% growth in 2008-09. The rainfall during 2009-10 was 23% below normal of Long Period Average (LPA) and agricultural production declined by 0.2% as compared to 2008-09. The continued recession in the developed world, for the better part of 2009-10, meant a sluggish recovery in export markets.

The domestic automotive demand has sharply recovered during the year, supported by fiscal incentives offered by Government of India and a revival in the underlying economy. All the segments of the Indian automotive industry registered a positive growth during 2009-10. The following table highlights the industry sales figures in vehicle units.

Category	2009-10 nos.	2008-09 nos.	Growth %
Medium and Heavy Commercial vehicles (MHCV)	240,138	200,406	19.8%
Light Commercial vehicles (LCV)	291,677	226,389	28.8%
Buses	47,676	42,441	12.3%
Cars & MUVs	2,268,551	1,887,619	20.2%
Tractors	364,399	329,940	10.4%
Three wheelers	604,848	497,793	21.5%
Two wheelers	10,253,337	8,441,844	21.5%

(Source: SIAM)

The Company's recovery in all segments of the domestic automotive industry resulted in overall sales growing by 13.92% in 2009-10. Due to weak demand in export markets, the export sales stood at Rs.11.2 Cr. In terms of the Joint Venture arrangement between the Company and M/s. F.S. Fehrer Automotive GmbH, Germany, effective 22nd January 2010, the two wheeler seats, Long Fibre Injection (LFI) & Micro Cellular Urethane (MCU) products and the foaming businesses of the Company have been transferred to Harita Fehrer Limited (HFRL), as approved by the shareholders. Against this background, the Company has registered a sale of Rs.224.9 Cr in 2009-10 (Rs.197 Cr in 2008-09) and a loss of Rs. 1.00 Cr in 2009-10 (loss of Rs.7.9 Cr in 2008-09).

OPPORTUNITIES AND THREATS

With the revival of economy and the roll out of commercial vehicles by multinational companies, the Company expects the commercial vehicle market to grow in terms of high value high-end sophisticated vehicles with international standards to be launched in Indian market in the near future. Being an established leader in this segment, the Company has secured orders from Daimler India and Ashok Leyland Nissan also. Efforts have already been made to develop high-end seats for these applications.

Having established a leadership position in tractor seat segment in the domestic market, the Company has now been focusing on export market and committed to meet customer requirements in terms of quality, cost, delivery and service.

The Company has been benefited by the introduction of Volvo buses. The Company will be able to supply seats to Mercedes Benz buses, and these seats are expected to create better comfort for the passengers in these high end buses. This move has brought a new outlook among other leading bus manufacturers, who also started

building high-end buses. This has provided the Company with greater opportunities in the high-end bus segment.

The Government is expected to continue its focus on strengthening of infrastructure in the country. As a result, it is expected that the demand for earth moving equipment would increase. The Company has already developed suitable seats for this application and expects greater opportunities for business in this segment.

A few multi-national seat manufacturing companies in the segment of bus passenger and commercial vehicle seats have established manufacturing facilities in India with the help of local partners. This is a perceived threat.

Innovation is the key to success and the Company is fully committed to focus on product innovation by developing newer cost effective products precisely targeted at customer needs in order to meet the threats posed by competition and to leverage the opportunities offered by the market. The Company's well established products and in-house design capabilities in alignment with customers' needs will enable the Company to retain and improve its market share through well defined strategies.

PRODUCT-WISE PERFORMANCE

The positive recovery in all segments of the domestic automotive industry resulted in the overall sales growing by 13.92% in 2009-10. The growth in the commercial vehicle segment resulted in a growth of 25% in MHCV. Two wheeler seats grew by 23%, bus passenger seats by 12% and tractor seats by 10%.

During the last year 2008-09, the Company acquired the foaming business of Polyflex Group of companies. Through this acquisition, the Company and its subsidiary now have entry as Tier-2 polyurethane foam supplier to reputed

customers like Hanil Lear, Tata Johnson Controls, Lear and Toyota Boshoku. The foam pads supply by HFRL will go into the cars of Hyundai, Tata Motors, Ford, Mahindra & Mahindra and Toyota Kirloskar.

BUSINESS OUTLOOK AND OVERVIEW

In 2010-11, the GDP is projected to grow by 7.5 ~ 8 %. This outlook of the economy is expected to continue the growth in domestic automotive sector. While the passenger car industry is likely to register a growth of 15%, supported by a large number of launch of small cars and export of the same, the two-wheeler segment is expected to register 10% growth. The MHCV & LCV segments are expected to grow at 15% and 20% respectively. Tractors and three wheelers segments, both are estimated for a growth of 10% for 2010-11. As regards exports, the US market is expected to grow by 2%. In view of the factors mentioned above, the Company expects to have a healthy growth in the domestic market in the year 2010-11.

Having already established a leading position in tractor seats in domestic market, the Company is focusing on export markets, specifically new models for a leading Original Equipment (OE) manufacturer in the United States. Higher volume of business from this opportunity is expected in the coming years.

RISKS AND CONCERNS

The rising demand of all commodities is expected to increase the price of steel, chemicals, plastics and rubber and may create margin pressures during the current year. The Company has initiated price increase discussions with all customers and timely settlement will determine the Company performance.

The stringent quality demand of overseas customers may result in occasional possibilities of rework overseas at a high cost. Every step will be taken by the Company to avoid such situations. Risks due to fluctuations in foreign exchange are mitigated by taking forex cover, where necessary.

OPERATIONS REVIEW

a. Manufacturing:

The Company's manufacturing facilities follow the best practices such as TQM, TPM and Lean Manufacturing, with best-in-class practices for safety, work environment, water and energy conservation. The Company is certified for ISO 14001 & OHSAS 18001.

Continuous improvement actions are being implemented to improve manufacturing quality and productivity in all the manufacturing locations.

b. Quality:

The quality system at the factory aims at achieving total customer satisfaction through its focus on improving product quality to World standards. This is achieved through total employee involvement and continuous improvement culture. Rigorous usage of poka-yokes, utilization of statistical tools for process optimization and control also contribute towards improving the product quality. The Company is certified for TS 16949.

Total Quality Management (TQM) is a way of life in the Company. 100% participation in employee involvement has been successfully achieved for the 10th consecutive year.

c. Focus on Cost:

In order to stay competitive, the Company has undertaken measures like value engineering, alternate materials and processes, elimination of non-value added activities, productivity improvement, waste elimination, process and material optimization etc.

d. Financial performance:

The financial and operational performance of the Company for the year 2009-2010, as compared to the previous year 2008-2009, is as follows:

Particulars	Year ended 31 st March 2010		Year ended 31 st March 2009	
	Rs.in lakhs	%	Rs. in lakhs	%
Income :				
Sales	22,356.35	96.16	19,625.18	99.01
Other income	893.51	3.84	196.98	0.99
Total Income	23,249.86	100.00	19,822.16	100.00
Expenditure :				
Raw materials and Components consumed	16,426.22	70.65	15,012.49	75.74
Staff cost	2,078.80	8.94	1,887.25	9.52
Stores and tools consumed	283.10	1.22	278.90	1.41
Power and fuel	301.59	1.30	281.73	1.42
Repairs and maintenance	496.53	2.14	282.56	1.43
Other expenses	2,176.06	9.36	1,748.47	8.82
Interest	704.44	3.03	424.77	2.14
Depreciation	883.52	3.80	696.92	3.52
Total expenditure	23,350.26	100.43	20,613.09	103.99
Profit / (Loss) before tax	(100.40)	(0.43)	(790.93)	(3.99)
Provision for taxation - Current tax	13.00	0.06	-	-
- Deferred tax	(122.21)	(0.53)	81.85	0.41
- Fringe benefit tax	-	-	19.31	0.10
Profit / (Loss) after tax	8.81	0.04	(892.09)	(4.50)
		2009-10		2008-09
EBITDA/turnover	%	6.65		1.69
Profit / (Loss) before tax/turnover	%	(0.45)		(4.00)
Return on capital employed	%	7.31		(2.69)
Return on net worth	%	0.31		(27.28)
Earnings per share in Rs.		0.11		(11.48)

e. Internal controls and their adequacy :

The Company has a proper and adequate system of internal control to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposition and those transactions that are authorized and recorded are reported correctly. The internal controls are supplemented by an extensive programme of internal audits, review by management and documented policies, guidelines and procedures. The status of the observations made during the internal audit

is reviewed by the audit committee of directors and concerns, if any, are reported to the board periodically.

f. Human resource development:

In keeping with the Company's belief that employees are the assets of a successful organization, the Company has a well thought out in-house training programs, on a continuous basis, to upgrade the skill of employees at all levels. The Company also recruits young graduates in various

disciplines to meet future needs of manpower requirements.

As of 31st March 2010, the Company had 332 employees on its rolls.

COMMUNITY DEVELOPMENT AND SOCIAL RESPONSIBILITY

The Company has a vision to contribute to all round development of the rural areas around the Company. Some of the activities engaged by the Company are mentioned below:

- (a) Providing material support to a government school for improving the infrastructure in the area.
- (b) Assisting Self Help Groups in Belagondapalli village near Hosur Factory and at villages near Ranjangaon Factory on a continuous basis.
- (c) In order to encourage students in education and motivate them to do well in their studies, the Company offers scholarships to meritorious students of schools in nearby villages of the Factories.

In addition to the above, the Company has been regularly conducting blood donation camps.

CAUTIONARY STATEMENT

Statements in the management discussion and analysis report describing the Company's objectives, projections, estimates, expectations may be forward looking statements within the meaning of applicable Securities Laws and Regulations. Actual results could differ materially from those expressed and implied. Important factors that could make a difference to the Company's operations include, among other things, economic conditions affecting the demand, supply and price conditions in the domestic and international markets in which the Company operates, changes in government regulations, tax laws and other statutes and incidental factors.

4. SUBSIDIARY COMPANY

During the year under review, the name of the Company's subsidiary "Harita Polymer Limited" was changed to "Harita Fehrer Limited" (HFRL) effective 21st August 2009.

During the year, the board of directors, as approved

by the shareholders in terms of Section 293(1)(a) of the Companies Act, 1956 through the process of Postal Ballot, transferred the following businesses namely:

- (a) business owned by the Company viz., foaming business, two wheeler and three wheeler seats, seat cushions, Long Fibre Injection (LFI) and Micro Cellular Urethane (MCU) products; and
- (b) all foaming and fabrication business as acquired by the Company from M/s. Polyflex India Private Limited and Polyflex Engineering Private Limited

to and in favour of HFRL effective 22nd January 2010, together with all assets, which include property, rights and powers and liabilities, which include duties of every description relating to the aforesaid businesses.

The shareholders also authorized the board of directors to determine the consideration for the said transfer of business. Accordingly, the board of directors fixed the sale consideration at Rs. 46.50 Cr which was settled partly by way of allotment of 1,02,00,000 equity shares of Rs.10/- each at a premium of Rs.17/- per share amounting to Rs.27.54 Cr in the equity capital of HFRL and the balance consideration of Rs.18.96 Cr by way of cash, both aggregating to Rs.46.50 Cr.

During the year, the Company and M/s.F.S Fehrer Automotive GmbH, Germany (Fehrer) entered into a Joint Venture agreement on 28th May 2009 to control and manage the business activities of HFRL. In terms of the said Joint Venture agreement, HFRL allotted 68,33,364 equity shares of Rs.10/- each for cash at a price of Rs.101.54 per share (including a premium of Rs.91.54 per share) aggregating to Rs.69.39 Cr to its foreign collaborators, namely Fehrer on 8th February 2010.

The shareholding of the Company in HFRL, in view of the above allotment of shares by HFRL to Fehrer, got reduced from 100% to 60%. Hence, the status of HFRL changed from that of the wholly owned subsidiary to that of a subsidiary of the Company effective 8th February 2010.

It may be noted from the annual accounts of HFRL, that it has become a material non-listed Indian subsidiary in terms of sub-clause III of clause 49 of