

# **HARITA SEATING SYSTEMS LIMITED**

**Fifteenth Annual Report 2010-2011**

### Board of Directors

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

### President

A G Giridharan

### Company Secretary

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,  
No. 4 (Old No. 23), Sir C.P. Ramaswamy Road,  
Alwarpet, Chennai 600 018

### Shares listed with

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

### Shares Transfer Agent

Sundaram-Clayton Limited  
No. 22 (Old No. 31), Railway Colony, 3<sup>rd</sup> Street,  
Mehta Nagar, Chennai - 600 029  
Tel. : 044 - 2374 1889, 2374 2939  
Fax : 044 - 2374 1889  
E-mail : [kr.raman@scl.co.in](mailto:kr.raman@scl.co.in)  
[sclshares@gmail.com](mailto:sclshares@gmail.com)  
[investorscomplaintssta@scl.co.in](mailto:investorscomplaintssta@scl.co.in)  
[ni.iswarya@scl.co.in](mailto:ni.iswarya@scl.co.in)

### Registered Office

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

### Factories

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

Plot A2 MIDC Industrial area  
Ranjangaon, Koregaon village, Shirur taluk,  
Pune - 412210, Maharashtra, India  
Tel. : 02138-660742

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

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

Web site: [www.haritaseating.com](http://www.haritaseating.com)

### Subsidiary company

Harita Fehrer Limited, Chennai

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## HARITA SEATING SYSTEMS LIMITED

<b>Financial Highlights</b>										
(Rupees in lakhs)										
Details	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
<b>Profit &amp; Loss Account</b>										
Sales	6025.27	7873.25	9202.06	11798.82	13736.82	15547.33	19104.87	19625.18	22356.35	<b>22504.00</b>
Other income	38.45	48.71	90.81	117.93	143.80	149.41	271.76	196.98	893.51	<b>691.17</b>
Total income	6063.72	7921.96	9292.87	11916.75	13880.62	15696.74	19376.63	19822.16	23249.86	<b>23195.17</b>
Gross profit before interest , depreciation & tax	490.58	730.09	894.03	987.92	1292.85	1363.01	1772.58	330.76	1487.56	<b>580.04</b>
Depreciation	164.11	174.99	212.76	269.39	315.28	386.34	532.93	696.92	883.52	<b>431.66</b>
Profit / (Loss) before interest & tax	326.47	555.10	681.27	718.53	977.57	976.67	1239.65	(366.16)	604.04	<b>148.38</b>
Interest	39.97	10.11	0.35	0.28	31.78	75.75	286.90	424.77	704.44	<b>732.48</b>
Profit / (Loss) before taxation	286.50	544.99	680.92	718.25	945.79	900.92	952.75	(790.93)	(100.40)	<b>(584.10)</b>
Profit / (Loss) after taxation	182.06	341.80	437.69	451.78	638.79	583.92	641.25	(892.09)	8.81	<b>(509.99)</b>
<b>Balance Sheet</b>										
Net fixed assets	1172.41	1329.35	1564.07	1878.80	2337.96	4380.64	5546.86	7999.88	4705.11	<b>4652.63</b>
Investment	0.06	0.06	661.12	367.96	407.87	350.00	437.38	259.85	2988.76	<b>2952.10</b>
Net current assets	1066.82	924.23	305.29	598.89	1420.19	1866.44	725.77	5217.27	900.36	<b>870.90</b>
Total	2239.29	2253.64	2530.48	2845.65	4166.02	6597.08	6710.01	13477.00	8594.23	<b>8475.63</b>
Share capital	388.45	388.45	388.45	388.45	388.45	388.45	776.90	776.90	776.90	<b>776.90</b>
Reserves & Surplus	1227.27	1464.20	1767.96	2082.72	2522.17	2902.57	2930.94	2055.78	2072.98	<b>1561.79</b>
Net worth	1615.72	1852.65	2156.41	2471.17	2910.62	3291.02	3707.84	2832.68	2849.88	<b>2338.69</b>
Loan funds	521.02	265.25	240.10	220.04	1091.96	3125.62	2639.73	10200.03	5422.27	<b>5888.97</b>
Deferred tax liability	102.55	135.74	133.97	154.44	163.44	180.44	362.44	444.29	322.08	<b>247.97</b>
Total	2239.29	2253.64	2530.48	2845.65	4166.02	6597.08	6710.01	13477.00	8594.23	<b>8475.63</b>
Earnings per share (Rs.)	4.69	8.80	11.20	11.75	16.44	15.03	^ 8.25	(11.48)	0.11	<b>(6.56)</b>
Dividend per share (Rs.)	2.50	2.50	3.00	3.20	4.50	4.50	2.50	-	-	-
Book value per share (Rs.)	41.59	47.69	55.51	63.62	74.93	84.72	47.73	36.46	36.68	<b>30.10</b>
Return on capital employed %(ROCE)*	15.2	27.80	30.40	28.40	25.80	18.70	19.40	(2.69)	7.31	<b>1.75</b>
Return on networth % (RONW)**	11.2	19.70	21.80	19.50	23.70	18.80	18.30	(27.28)	0.31	<b>(19.66)</b>
Fixed asset turnover (No. of times) #	5.0	6.29	6.36	6.85	6.52	4.63	3.85	2.90	3.52	<b>4.81</b>
Working capital turnover (No. of times) @	5.4	7.91	14.97	26.10	13.61	9.46	14.74	6.60	7.31	<b>25.41</b>
Gross profit as % of total income	8.1	9.20	9.60	8.30	9.30	8.70	9.10	1.70	6.40	<b>2.50</b>
Profit / (Loss) before tax as % of total income	4.7	6.90	7.30	6.00	6.80	5.70	4.90	(4.00)	(0.43)	<b>(2.52)</b>

\* 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 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 fifteenth annual general meeting of the Shareholders of the Company will be held at Mini Hall of Narada Gana Sabha Trust at New No.314 (Old No.254), T.T.K. Road, Alwarpet, Chennai - 600 018 on Monday, the 19<sup>th</sup> September 2011 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 31<sup>st</sup> March 2011 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 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."

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 firm registration no.004207S issued by The Institute of Chartered Accountants of India, be and are hereby re-appointed as statutory 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."

#### SPECIAL BUSINESS

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

"RESOLVED THAT, pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company, be and are hereby altered in the manner specified below:

In the Articles of Association of the Company, the existing Article 145, be re-numbered as 145(a) and the following Article be inserted:

#### Article 145(b)

Subject to the applicable provisions of the Act and any statutory modification or re-enactment thereof for the time being in force, the board shall have the power to permit directors to participate and vote through the means of video or tele-conferencing at a duly constituted meeting of the board of directors or committee thereof, subject to applicable rules and regulations. The provision relating to convening of physical board meeting as contained in these articles shall *mutatis mutandis* apply in case of convening of meetings by video-conferencing.

In the existing Article 147, the following proviso will be inserted at the end:

"Provided the directors participating in the meetings through video-conferencing shall form part of valid quorum for transacting any business at such meetings".

By order of the Board

Chennai  
3<sup>rd</sup> August 2011

N Iswarya Lakshmi  
Company 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.**

### **GREEN INITIATIVE IN CORPORATE GOVERNANCE**

*Ministry of Corporate Affairs (MCA) has undertaken a 'Green Initiative in Corporate Governance' to promote paperless compliances by the companies through electronic mode. Members can now receive notices, annual reports and other documents through electronic mode by registering their e-mail addresses with the Company.*

*The Company would like to avail this opportunity for sending notices / annual reports / other documents (documents) to the members in the electronic mode to their e-mail addresses already registered and available (i) in the records of depositories, which have been made available to the Company by them; or (ii) in the records of Share Transfer Agent of the Company namely Sundaram-Clayton Limited (STA).*

*Members are requested to note:*

- that the documents will also be available on the Company's website [www.haritaseating.com](http://www.haritaseating.com) for downloading by the members;*
- that physical copies of the documents will also be available at the Registered Office of the Company, at No. 29, Haddows Road, Chennai - 600 006, for inspection during office hours;*
- that members, who opted to receive the documents in electronic mode, are also entitled to receive copies of the documents free of cost, upon receipt of a requisition at any time;*
- that those members, who are holding shares in electronic form and have not registered their e-mail addresses with their DPs, are requested to update the same with DPs;*
- that those members, who are holding shares in physical form and have not registered their e-mail addresses with the STA, are requested to update the same; and*
- to update change of e-mail address with the STA or with the Company or with their DPs, from time to time, for receiving the future communication on any other e-mail address.*

- The Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of Special Business under item no. 4 as set above is annexed hereto.
- The register of members and the share transfer register of the Company will remain closed for a period of 4 days from 16<sup>th</sup> September 2011 to 19<sup>th</sup> September 2011 (both days inclusive), for the purpose of the annual general meeting of the Company.
- 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, in respect of the above period, are requested to make their claim(s) by surrendering the unencashed warrants immediately to the Company.
- Members holding shares in physical form, in their own interest, are requested to dematerialize the shares to avail the benefits of electronic holding/trading.
- Members are requested to notify any change in their address to the Company immediately. Members holding shares in electronic form are requested to advise change of correspondence and e-mail addresses to their DPs.
- 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.
- Members are requested to affix their signature at the space provided on the attendance slip annexed to the proxy form and hand over the slip at the entrance of the meeting hall.

9. 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 annual general meeting, nature of his expertise in specific functional areas, his other directorships and committee memberships, his shareholdings and relationships with other directors in the Company are given below:

### I. Mr S I Jaffar Ali

Born on 30<sup>th</sup> 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 of the Company by the board on 22<sup>nd</sup> January 1997.

He held senior positions in the Indian Police Service and retired in the year 1995 as Inspector General of Police. He is a member of the audit committee, shareholders / investors' grievance committee and remuneration committee of the board of directors of the Company.

He does not hold any position as a director or a member of any committee of directors of any other company.

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

## ANNEXURE TO NOTICE

### 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 3<sup>rd</sup> August 2011 and shall be taken as forming part of the notice.

#### Item No. 4

Keeping in tune with the Green initiatives in Corporate Governance, MCA has permitted the

companies to conduct Board or Committee meeting(s) through electronic means i.e. video or tele-conferencing. The Information Technology (IT) Act, 2000 also recognizes communications in digital or electronic form and holding of such meetings through electronic means are permissible under the IT Act.

It is considered desirable to have suitable amendments made to the Articles of Association of the Company (AoA) providing for participation of such directors, who are unable to be physically present at the meetings, through electronic mode. This will facilitate the Board to have the benefit of their advice in the deliberations at the meetings and their participation will also be counted for quorum and voting purposes.

As per Section 31 of the Companies Act, 1956 the amendments to AoA requires approval of the shareholders by way of a Special Resolution.

Accordingly, your directors recommend the Special Resolution at item no. 4 of the notice for approval of the shareholders.

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

### Inspection of documents

The documents referred to in the notice and the explanatory statement will be available for inspection at the Registered Office of the Company on any working day between 10.00 a.m. to 12.00 noon.

By order of the Board

Chennai  
3<sup>rd</sup> August 2011

N Iswarya Lakshmi  
Company Secretary

Registered Office:  
"Jayalakshmi Estates"  
No.29 (Old No.8), Haddows Road  
Chennai 600 006

**Directors' Report to the Shareholders**

The directors have pleasure in presenting the fifteenth annual report of the Company and the audited accounts for the year ended 31<sup>st</sup> March 2011.

**I. FINANCIAL HIGHLIGHTS**

(Rs. in lakhs)

	<b>Year ended 31.3.2011</b>	Year ended 31.3.2010
Sales and other income	<b>23,195.17</b>	23,249.86
Gross profit before interest, depreciation and tax	<b>580.04</b>	1,487.56
Interest	<b>732.48</b>	704.44
Depreciation	<b>431.66</b>	883.52
Profit / (Loss) before tax	<b>(584.10)</b>	(100.40)
Provision for taxation (including deferred tax)	<b>(74.11)</b>	(109.21)
Profit / (Loss) after tax	<b>(509.99)</b>	8.81
Add: Surplus brought forward	<b>17.20</b>	–
Profit / (Loss) available for appropriation	<b>(492.79)</b>	8.81
<b>Appropriations:</b>		
Tax relating to earlier years	<b>1.20</b>	(8.39)
Surplus / (Deficit) in profit and loss account	<b>(493.99)</b>	17.20

**2. DIVIDEND**

The board of directors of the Company has not recommended any dividend for the year ended 31<sup>st</sup> March 2011.

**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, barring passenger car segment.

**INDUSTRY STRUCTURE AND DEVELOPMENTS**

The economy grew by 8.6% in 2010-11 and industry sector grew by 8.1%. This was entirely driven by 10% growth in construction sector. The other two sub-components namely mining and electricity had reduced growth rates of 6.2% and 5.1% compared to 6.9% and 6.4% of last year. Growth in manufacturing sector remained unchanged at 8.8%.

In fiscal 2010-11, the Rupee depreciated to Rs.47.57 per USD in May 2010 but with a sharp upturn in portfolio flows and a strong domestic growth, the Rupee has rebounded close to Rs.45.00 per USD in the third quarter of financial year 2010-11 and exited the financial year at Rs.44.65.

All the segments of the Indian automotive industry registered high growth during 2010-11. The following table highlights the industry sales figures in vehicle units.

Category	<b>2010-11 Nos.</b>	2009-10 Nos.	Growth %
Medium and Heavy Commercial Vehicles (MHCV)	<b>351229</b>	240138	46
Light Commercial Vehicles (LCV)	<b>399225</b>	291667	37
Buses	<b>57539</b>	47676	21
Cars & MUVs	<b>2973296</b>	2268551	31
Tractors	<b>544495</b>	364399	49
Three wheelers	<b>795989</b>	604848	32
Two wheelers	<b>13324714</b>	10253337	30

[ Source: SIAM ]

The growth of commercial vehicle segment and the tractor segment of the domestic automotive industry resulted in the overall sales of the

Company growing by 27% in 2010-11 (on comparable basis after the transfer of two wheeler seats and foaming business to the subsidiary company viz., Harita Fehrer Limited, Chennai). Due to start of supply of new products to export customers, the Company's export sales grew by 92% to Rs.21.47 Cr. The Company has registered a sale of Rs.225 Cr in 2010-11 (Rs.177 Cr in 2009-10 on a comparable basis) and a loss of Rs.5.8 Cr in 2010-11 (loss of Rs.1 Cr in 2009-10).

The Company has posted losses in the financial year 2010-11 due to lack of adequate capacity in the vendor base, causing unprecedented air freight to the export customers based in the US. Poor vendor capacity also affected timely delivery to other domestic customers leading to penalties and the steep rise in commodity prices for steel, foam, plastic and vinyl rexines, which could not be passed on to customers.

### OPPORTUNITIES AND THREATS

Though widespread optimism has been expressed about the economic growth in financial year 2011-12, there are strong reasons to believe that the growth would be muted in the range of 7.0% to 7.5%. With expected growth in economy, the Company expects the commercial vehicles market to grow in volumes as well as in value of high-end sophisticated vehicles. Measures are being undertaken by the Company for development of high-end seats for these applications. Being an established leader for seating systems in this segment, the Company expects to grow along with the customers.

The Company continues to be in the leadership position in tractor seat segment in the domestic market and has laid up strategies to improve the overall market share. The Company is now focusing on export market and is committed to meet customer requirements in terms of quality, cost, delivery and service.

The Company is the leader in deluxe segment of the bus passenger seat. With more

multinational competition in the deluxe bus segment, the Company expects the market to grow. This has provided the Company with greater opportunities in the high-end bus segment.

The increased spending of the Government on strengthening infrastructure in the country is helping the growth in the demand for the Earth Moving Equipment. The Company has bagged orders from new entrants in the segment and has already developed suitable seats for this application and expects greater opportunities for business in this segment.

The growth in Indian automotive market has attracted multinational seat manufacturing companies to set up manufacturing facilities in India, which poses a significant threat.

The Company continues to invest on research and development and believes that innovation is the key to success. 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 range of products and in-house design capabilities with proximity to customers will enable the Company to retain and improve its market share through well defined strategies.

### PRODUCT-WISE PERFORMANCE

The high growth in all segments of the domestic automotive industry resulted in the Company's overall sales growing by 27% in 2010-11. The sales in commercial vehicles segment resulted in a growth of 53% in MHCV segment and sales from tractor segment grew by 29%.

### BUSINESS OUTLOOK AND OVERVIEW

In 2011-12, the GDP is projected to grow at 7.0 - 7.5%. This outlook of the economy is expected to grow in the domestic automotive



sector. The MHCV and LCV segments are expected to grow at 12% and 20% respectively. Tractor segment is estimated to register a growth of 10%. As regards the exports, the US market is expected to grow by 2%. In view of the factors mentioned above, the sale is estimated to grow at a rate higher than 2010-11.

The Company has firmed up the strategy to improve market share by creating assembly locations close to the customers and strengthening marketing and product development. The results of this action will start realizing from 2011-12 onwards.

### RISKS AND CONCERNS

The increase in the interest rate and the fuel prices are expected to slow down the automotive growth momentum and may affect the profitability of the OEM's, who have invested heavily for building their capacities.

The Company has been able to settle commodity related price increase with majority of the customers and discussions are continuing with the remaining customers. Under the anticipated slowdown, the Company expects delay in the settlement of price increases, due to increase in labour and power costs with the customers. The timely settlement will determine the Company's performance.

Considering the stringent quality demand of customers, which could result in rework or product recall, the Company is giving greater importance to the quality of products. The Company has also taken product liability cover to overcome such unforeseen circumstances. Risks due to fluctuations in foreign exchange are mitigated by taking forex cover.

### OPERATIONS REVIEW

#### a. Manufacturing:

The Company's manufacturing facilities follow the best practices such as Total Quality Management (TQM), Total Product

Management (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.

Implementation of Lean Manufacturing has been taken up very actively by the senior management team. This initiative undertaken in all the manufacturing locations, is expected to reduce cost of manufacturing and improve quality.

#### b. Quality:

The quality system at the factories 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.

TQM is a way of life in the Company. 100% participation in employee involvement has been successfully achieved for the 11<sup>th</sup> consecutive year.

#### c. Focus on Cost:

The Company has adopted techniques of Lean Manufacturing to reduce the costs across the plants. By implementing Lean Manufacturing practices, the Company expects to reduce cost of operations to a large extent.

Further, the Company has trained R & D and process engineers for doing bench marking, value engineering and the Company is expecting new product designs with the above concepts to reduce material costs in the financial year 2011-12.

## d. Financial performance:

The financial and operational performance of the Company for the year 2010-2011, as compared to the previous year 2009-2010, is as follows:

Particulars	Year ended 31 <sup>st</sup> March 2011		Year ended 31 <sup>st</sup> March 2010	
	Rs. in lakhs	%	Rs. in lakhs	%
Income:				
Sales	<b>22,504.00</b>	<b>97.02</b>	22,356.35	96.16
Other Income	<b>691.17</b>	<b>2.98</b>	893.51	3.84
<b>Total Income</b>	<b>23,195.17</b>	<b>100.00</b>	23,249.86	100.00
Expenditure:				
Raw materials and components consumed	<b>18,036.74</b>	<b>77.76</b>	16,426.22	70.65
Staff cost	<b>1,924.91</b>	<b>8.30</b>	2,078.80	8.94
Stores and tools consumed	<b>459.12</b>	<b>1.98</b>	283.10	1.21
Power and fuel	<b>181.69</b>	<b>0.78</b>	301.59	1.30
Repairs and maintenance	<b>254.20</b>	<b>1.10</b>	496.53	2.14
Other expenses	<b>1,758.47</b>	<b>7.58</b>	2,176.06	9.36
Interest	<b>732.48</b>	<b>3.16</b>	704.44	3.03
Depreciation	<b>431.66</b>	<b>1.86</b>	883.52	3.80
<b>Total expenditure</b>	<b>23,779.27</b>	<b>102.52</b>	23,350.26	100.43
Profit / (Loss) before tax	<b>(584.10)</b>	<b>(2.52)</b>	(100.40)	(0.43)
Provision for taxation - Current tax	-	-	13.00	0.06
- Deferred tax	<b>(74.11)</b>	<b>(0.32)</b>	(122.21)	(0.53)
Profit / (Loss) after tax	<b>(509.99)</b>	<b>(2.20)</b>	8.81	0.04
		<b>2010-11</b>		2009-10
EBITDA / Turnover	%	<b>2.58</b>		6.65
Profit / (Loss) before tax/turnover	%	<b>(2.60)</b>		(0.45)
Return on capital employed	%	<b>1.75</b>		7.31
Return on net worth	%	<b>(19.66)</b>		0.31
Earnings per share in Rs.		<b>(6.56)</b>		0.11

**INTERNAL CONTROLS AND THEIR ADEQUACY**

The Company has a proper and adequate internal control system 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. Suggestions of the members are duly incorporated and status update of the same is periodically reported to the audit committee of directors.

### HUMAN RESOURCE DEVELOPMENT

The Company place on record their deep appreciation for the exemplary contribution of the employees at all levels. Their dedicated efforts and enthusiasm have been integral to the Company's growth. The Company's industrial relations continue to be cordial. In order to improve the employee skill levels, the Company has developed a process for identification of the training needs as well as its implementation. The Company also has a program for induction of fresh management trainees and functional specialists every year.

As of 31<sup>st</sup> March 2011, the Company had 344 employees on its rolls.

### COMMUNITY DEVELOPMENT AND SOCIAL RESPONSIBILITY

The Company is actively involved to facilitate the process of sustainable development of the local villages where the Company operates. Focus has been continuing in Belagondapalli village, Hosur in Tamil Nadu and villages around Ranjangaon, Pune in Maharashtra.

The focus areas are economic development, health care, quality education and maintenance of infrastructure and conservation of the environment.

### CAUTIONARY STATEMENT

Statements in the management discussion and analysis report describing the Company's objectives, projections, estimates and expectations may be forward looking statements within the meaning of applicable Securities Laws and Regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include, among others, economic conditions affecting the demand /

supply and price conditions in the domestic and overseas markets in which the Company operates, changes in government regulations, tax laws and other statutes and incidental factors.

### 4. SUBSIDIARY COMPANY

As on the date of this report, Harita Fehrer Limited, Chennai (HFRL) is the only subsidiary of the Company.

During the year, the subsidiary company allotted 30,14,676 additional equity shares of Rs.10/- each for cash at a premium of Rs.41.78 per share to M/s F.S. Fehrer Automotive GmbH, Germany (Fehrer), on 14<sup>th</sup> February 2011 on a preferential basis, in pursuance of the Joint Venture arrangement between the Company and Fehrer.

During the year, the shareholding of the Company in HFRL, in view of the above allotment of shares by HFRL to Fehrer, got reduced from 60% to 51%. However HFRL continues to be a subsidiary of the Company in terms of Section 4(1)(b) of the Companies Act, 1956.

HFRL is a material non-listed Indian subsidiary in terms of sub-clause III of clause 49 of the Listing Agreement, as the total turnover of the subsidiary exceeds 20% of the consolidated turnover of the Company.

The Company is fully compliant with the provisions as specified in sub-clause III of clause 49 of the Listing Agreement.

During the financial year 2010-11, HFRL achieved an income of Rs.246.67 Cr and registered a profit after tax of Rs.2.12 Cr.

### 5. CONSOLIDATED FINANCIAL STATEMENTS

The annual accounts of the subsidiary for the year ended 31<sup>st</sup> March 2011 is consolidated with the accounts of the Company in accordance with Accounting Standards as prescribed under Section 211(3C) of the Companies Act, 1956 and as required under the Listing Agreement. These financial statements disclose the assets, liabilities, income, expenses and other details of the Company, its subsidiaries and associates.

The Ministry of Corporate Affairs (MCA) vide its circular No. 2 in file No. 51/12/2007-CL-III dated 8<sup>th</sup> February 2011 has granted general exemption under Section 212(8) of the Companies Act, 1956 for holding companies from attaching annual reports of subsidiaries along with the annual report of the holding companies without seeking any approval of the Central Government. However, this is subject to fulfilment of conditions as stipulated in the said circular granting general exemption to the holding company and passing of a resolution by the board of the holding company in this regard.

The board of directors at their meeting held on 2<sup>nd</sup> May 2011 passed necessary resolution for complying with all the conditions enabling the circulation of annual report to the shareholders of the Company without attaching all the documents referred to in Section 212(1) of the Companies Act, 1956 of the subsidiary company.

The annual accounts, reports and other documents of the subsidiary company will be made available to the members, on receipt of a request from them. The annual accounts of the subsidiary company will be available at the registered office of the Company and at the registered office of the subsidiary company. If any member or investor wishes to inspect the same, it will be available during the business hours of any working day at the registered office of the Company.

A statement giving the following information about HFRL consisting of (a) capital (b) reserves (c) total assets (d) total liabilities (e) details of investment (f) turnover (g) profit before taxation (h) provision for taxation (i) profit after taxation has been attached with the consolidated balance sheet of the Company in compliance with the conditions as provided in the circular issued by MCA.

### 6. DIRECTORS

During the year, Mr H Lakshmanan, director was re-appointed as chairman of the Board of Directors, for a further period of five years

effective 24<sup>th</sup> April 2011 in terms of the Articles of Association of the Company.

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

His brief resume and other information have been detailed in the notice convening the annual general meeting of the Company. Appropriate resolution for his re-appointment is being placed for approval of the shareholders at the ensuing annual general meeting. The directors recommend his re-appointment as a director of the Company.

### 7. AUDITORS

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

The Company has received a letter from them, stating that the appointment, if made, will be within the limit prescribed under Section 224(1B) of the Companies Act, 1956.

### 8. CORPORATE GOVERNANCE

The Company has been practicing the principles of good corporate governance over the years and lays strong emphasis on transparency, accountability and integrity.

A separate section on corporate governance and a certificate from the statutory auditors of the Company regarding compliance of conditions of corporate governance as stipulated in clause 49 of the Listing Agreement with the Stock Exchanges form part of the annual report.

The president and the general manager - finance of the Company have certified to the board on financial statements and other matters in accordance with clause 49(V) of the Listing Agreement pertaining to CEO/CFO certification for the financial year ended 31<sup>st</sup> March 2011.

### 9. STATUTORY STATEMENTS

- a. Conservation of energy, technology absorption and foreign exchange earnings and outgo:

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, information regarding conservation of energy, technology absorption and foreign exchange earnings and outgo are given in Annexure I to this report.

- b. Particulars of employees:

There is no employee receiving remuneration excess of the limits prescribed under Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules 1975 as amended.

- c. Public Deposits:

The Company has not accepted any deposit from the public within the meaning of Section 58A of the Companies Act, 1956, for the year ended 31<sup>st</sup> March 2011.

- d. Directors' Responsibility Statement:

Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956, with respect to directors' responsibility statement, it is hereby confirmed:

- (i) that in the preparation of annual accounts for the financial year ended 31<sup>st</sup> March 2011, the applicable Accounting Standards had been followed and that there are no material departures;
- (ii) that the directors had selected such accounting policies and applied them consistently and made judgements and

estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for the year under review;

- (iii) that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) that the directors had prepared the accounts for the financial year ended 31<sup>st</sup> March 2011 on a "going concern basis".

### 10. ACKNOWLEDGEMENT

The directors gratefully acknowledge the continued support and co-operation received from the promoters, Harita Group and Mr Martin Grammer.

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 for the sincere efforts of all the employees of the Company during the year under review.

The directors also thank the investors for their continued faith in the Company.

For and on behalf of the Board

Chennai  
3<sup>rd</sup> August 2011

H LAKSHMANAN  
Chairman

**Annexure I to the Directors' report to the shareholders - Information pursuant to Section 217(1)(e) of the Companies Act, 1956**

**A. CONSERVATION OF ENERGY**

**1. Measures taken during the year 2010-2011:**

- Energy saving fittings for factory lighting;
- Energy saving by changing Thin Film Transistor (TFT) monitors for computers;
- Energy saving by introduction of shut off valves in airlines;
- Time based switching of air conditioners;
- Electronic ballast changing in tube lights;
- Single touch switch for conference hall;
- Effective utilisation of captive power generation; and
- Water pressure switches for canteen submersible pumps.

The above measures had resulted in an annual saving of about Rs.6.39 lakhs.

**2. Proposed measures for the year 2011-2012:**

- Establishment of automatic control to optimize the running hours of compressor;
- Energy saving fittings for street lighting;
- Introduction of Variable Frequency Drive (VFD) in transporter;
- Waste heat recovery from pre-treatment tank burners;
- Introduction of periodic energy auditing and implementation of energy conservation measures;
- Introduction of T5 fittings for factory lighting for paint plant and stores; and
- Introduction of Energy saving devices for diesel generators.

The above measures will result in an annual saving of about Rs.12.5 lakhs.

**B. TECHNOLOGY ABSORPTION**

**1. Research & Development (R&D)**

a. Specific areas in which R&D is carried out:

- Developed E-mark Driver seats for Tractor export market for customers;
- Certification obtained from TUV-NORD for Driver's Seat for a wheeled agricultural tractor as per regulation Organisation for Economic Co-operation and Development (OECD) code 4 for John Deere;
- Seats developed and produced for residential lawn mowers and agriculture tractors for export requirement;
- Initiated design & development of heavy duty & light duty truck seats for commercial vehicles;
- Developed mechanical suspended driver seats for commercial vehicles; and
- Design & development initiated for backhoe loader / excavator driver seats.

b. Benefits derived as a result of above measures:

- Enhanced sales in all segments;
- Improved product delivery lead time; and
- Improved export sales with additional segment.

c. Future plan of action:

- Development of seating systems for commercial vehicles and tractors to improve safety and comfort level of drivers;

- Development of passenger seats for GATOR application; and
- Development of high-end driver seat for commercial vehicles.

d. Expenditure on R&D:

(Rs. in lakhs)

(i) Capital expenditure	6.95
(ii) Revenue expenditure	344.22
Total	<u>351.17</u>
(iii) Total expenditure as a percentage of turnover	1.56%

**2. Technology absorption, adaptation and innovation**

(i) Efforts in brief:

- Development of communized structural design, parts and raw materials standardization to reduce product cost in low HP tractor, commercial vehicles and bus passenger seats segment.
- Obtained 3 years Compliance Statement as per Directive 2003/37/EC from RDW Netherlands for E marked tractor & commercial vehicles driver seats.

(ii) Benefits derived as a result of the above are:

- Price competitiveness.

- Improvement in supply chain management.
- Good Quality Assurance Systems in place as per requirements of conformity of production as per relevant EC - Directives and / or ECE Regulations.

(iii) Details relating to imported technology:  
NIL

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO**

**1. Activities relating to export**

- During the year 2010-11, new orders for export of driver seats and components for commercial vehicles were received and executed.
- The Company has been continuing its efforts to increase the current volume of export of driver seats to the US.

**2. Total foreign exchange earned and used**

(Rs. in lakhs)

Foreign exchange earned	:	2147.17
Foreign exchange used	:	1022.74

For and on behalf of the Board

Chennai  
3<sup>rd</sup> August 2011

H LAKSHMANAN  
Chairman

## Report on Corporate Governance

### 1. Company's philosophy on Code of Governance

The Company believes in ensuring corporate fairness, transparency, professionalism, accountability and propriety in total functioning of the Company, which are pre-requisite for attaining sustainable growth in this competitive corporate world. Obeying the law, both in letter and in spirit, is the foundation on which the Company's ethical standards are built. The Company would constantly endeavour to improve on these aspects.

The Company's corporate governance philosophy has been further strengthened by adopting a Code of Business Conduct and Ethics and Code of Conduct for Prevention of Insider Trading for board and senior management personnel.

### 2. Board of Directors

The board of directors (the board) which consists of eminent persons with considerable professional expertise and experience, provides leadership and guidance to the management, thereby enhancing stakeholders' value.

#### 2.1 Composition and category of directors:

As of 31<sup>st</sup> March 2011, the board consists of four directors. All are non-executive directors. Out of the four non-executive directors, three directors are independent directors.

Chairman is a non-executive and independent director. The number of independent directors is more than one third of its total strength. Thus, the Company meets with the requirements of composition of the board as per the Listing Agreement.

#### 2.2 Board Meetings:

The Company, in consultation with the directors, prepares and circulates a tentative

annual calendar for meetings of the committees / board in order to assist the directors for planning their schedules well in advance to participate in the meetings.

The Company regularly places before the board, for its review, the information as required under Annexure 1A to clause 49 of the Listing Agreement such as annual operating plans, capex budget and its quarterly updates, quarterly results, minutes of meetings of audit committee and other committees of the board, quarterly details of foreign exchange exposures, report on compliance of all laws applicable to the Company and steps taken by the Company to rectify instances of non-compliances, if any, etc.

Comprehensively drafted notes for each agenda item along with back ground materials, wherever necessary, are circulated well in advance to the committee / board members, to enable them for making value addition as well as exercising their business judgment in the committee / board meetings. Presentations are also made by the business heads on the Company's operations in board meetings.

During the year 2010-2011, the board met five times on 26<sup>th</sup> April 2010, 30<sup>th</sup> July 2010, 6<sup>th</sup> September 2010, 27<sup>th</sup> October 2010 and 25<sup>th</sup> January 2011 and the gap between two meetings did not exceed four months.

#### 2.3 Attendance and other directorships:

The details of attendance of the directors at the board meetings during the year and at the last annual general meeting held on 6<sup>th</sup> September 2010 and also the number of other directorships and committee memberships / chairmanships as on 31<sup>st</sup> March 2011 are as follows:



Name of the Directors (M/s.)	Category	Attendance Particulars		Number of directorships and committee memberships / chairmanships		
		Board Meeting	Last Annual General Meeting	Other director-Ships*	Committee memberships@	Committee chairmanships
H Lakshmanan	NE-I	5	Yes	21	10	5
S I Jaffar Ali	NE-I	5	Yes	–	2	--
Martin Grammer	NE-NI	4	Yes	–	–	–
C N Prasad	NE-I	5	Yes	8	8	–

\* includes private companies and companies incorporated outside India

@ includes committees where the director holds the position of chairman

NE-I : non executive - independent director

NE-NI : non executive - non independent director

None of the directors on the board is a member of more than ten committees or chairman of more than five committees across all the companies in which they are directors. Chairmanships / Memberships of committees include only audit and shareholders / investors' grievance committees, as covered in clause 49 of the Listing Agreement, as per the disclosures made by the directors.

**2.4 Access to information and updation to directors:**

The board reviews all information provided periodically for discussion and consideration at its meetings in terms of clause 49 of the Listing Agreement. Functional heads are present whenever necessary and apprise all the directors about the developments. They also make presentations to the board and audit committee of directors.

Apart from this, the observations of audit carried out by the internal auditors and the compliance report on payment of statutory liabilities submitted by the statutory auditors of the Company are placed and discussed with the functional heads by the committee / board. The board also reviews the declarations made by the president and the company secretary regarding compliance of all applicable laws on quarterly basis.

Decisions taken at the meetings of the committee / board are communicated to the functional heads. Action taken report on decisions of previous meetings is placed at

every succeeding meeting of the committee/ board for reporting the compliance.

**2.5 Code of Business Conduct and Ethics for members of the board and senior management personnel:**

The Company has in place the Code of Business Conduct and Ethics for members of the board and senior management personnel (the Code) approved by the board. The Code has been communicated to directors and the senior management personnel. The Code is also displayed on the Company's website [www.haritaseating.com](http://www.haritaseating.com).

All the board members and senior management personnel have confirmed compliance with the Code for the year ended 31<sup>st</sup> March 2011. The annual report contains a declaration to this effect signed by the president and the company secretary as compliance officer for the Code.

**2.6 Appointment / re-appointment of directors:**

In terms of clause 49(IV)(G) of the Listing Agreement with the Stock Exchanges, a brief

resume of the director, proposed to be re-appointed, nature of his expertise in specific functional areas, his other directorships and committee memberships, his shareholdings and his relationships, if any, with other directors are provided in the notice convening the ensuing annual general meeting of the Company.

### 3. Audit Committee

The primary objective of the Audit Committee is to monitor and provide effective supervision of the management's financial reporting process with a view to ensure accurate, timely and proper disclosure and transparency, integrity and quality of financial reporting.

#### 3.1 Brief description of terms of reference:

The Audit Committee of the Company is entrusted with the responsibility to supervise the Company's internal control and financial reporting process and *inter alia* performs the following functions:

- a. Overseeing the Company's financial reporting process and the disclosure of financial information.
- b. Reviewing with the management quarterly and annual financial statements before submission to the board for approval, with particular reference to the matters specified in the Listing Agreement.
- c. Reviewing the statement of related party transactions and transactions with companies in which one (or) more director(s) of the Company is / are deemed to be interested / concerned.
- d. Discussing the nature and scope of audit including internal audit, prior to the commencement of the audit and areas of concern, if any, arising post audit.
- e. Reviewing the reports of internal auditors and ensuring that adequate follow-up action is taken by the management on observations and recommendations made by the internal auditors.
- f. Reviewing the findings of any internal investigations by the internal auditors into matters of suspected fraud or irregularity or a failure of internal control system of a material nature, if any
- g. Recommending to the board the appointment / re-appointment / replacement of the statutory auditors and approving the payment the fees payable for audit and for any other services rendered by the statutory auditors.
- h. Reviewing the adequacy of internal audit functions and systems, structure, reporting process, audit coverage and frequency of internal audit.
- i. Reviewing the management discussion analysis of financial conditions and results of operations and other matters specified under clause 49 of the Listing Agreement.
- j. Reviewing the financial statements, in particular the investments made by the unlisted subsidiary.
- k. Reviewing with the management the annual financial statements before submission to the board and in particular
  - a. Any changes in accounting policies and practices;
  - b. Major accounting entries passed based on exercise of judgment by management;
  - c. Significant adjustments arising out of audit;
  - d. Compliance with accounting standards; and
  - e. Disclosure of contingent liabilities.
- l. Approving the appointment of the Chief Financial Officer after assessing the qualifications, experience, background, etc. of the candidate.
- m. In addition, reviewing such other functions as envisaged under Section 292A of the Companies Act, 1956 and clause 49 of the Listing Agreement with Stock Exchanges.

**3.2 Composition, name of members and the chairman :**

As at 31<sup>st</sup> March 2011, the audit committee consists of the following non-executive and independent directors:

Name of the Directors (M/s.)	Position
H Lakshmanan	Chairman
C N Prasad	Member
S I Jaffar Ali	Member

Mr H Lakshmanan, chairman of the audit committee, is a non-executive and independent director. Ms N Iswarya Lakshmi, company secretary acts as the secretary of the audit committee.

Chairman of the audit committee was present at the last annual general meeting of the Company held on 6<sup>th</sup> September 2010.

The composition of the Committee is in accordance with the requirements of Clause 49 of the Listing Agreement read with Section 292A of the Companies Act, 1956.

**3.3 The particulars of meetings and attendance by the members of the Committee during the year under review are given in the table below:**

Date of the meeting	Members present (M/s.)
26.04.2010	H Lakshmanan, C N Prasad and S I Jaffar Ali
30.07.2010	H Lakshmanan, C N Prasad and S I Jaffar Ali
27.10.2010	H Lakshmanan, C N Prasad and S I Jaffar Ali
25.01.2011	H Lakshmanan, C N Prasad and S I Jaffar Ali

**4. Subsidiary Company**

4.1 The Company's subsidiary M/s Harita Fehrer Limited is covered within the definition of "material non-listed Indian subsidiary" in terms of clause 49 (III) of the Listing Agreement.

4.2 The board of directors of the subsidiary company consists of two independent directors of the Company viz., M/s H Lakshmanan and C N Prasad, in terms of clause 49 (III) of the Listing Agreement.

4.3 The audit committee of directors reviews the financial statements and in particular the investments made by the unlisted subsidiary.

4.4 The minutes of the board meetings of the unlisted subsidiary are periodically placed before the board. The board is periodically informed about all significant transactions and arrangements entered into by the unlisted subsidiary.

**5. Disclosures**

5.1 Materially significant related party transactions:

During the year, the Company has not entered into any transaction of material nature with the directors, their relatives or management, which is in conflict with the interests of the Company.

The transactions with the related parties, namely its promoters, its subsidiary company, etc., of routine nature have been reported elsewhere in the annual report as per Accounting Standard 18 (AS 18) issued by The Companies (Accounting Standards) Rules, 2006 / The Institute of Chartered Accountants of India.

The Audit Committee also reviews, *inter alia*, the following aspects:

- (a) related party transactions undertaken by the Company in the ordinary course of business;
- (b) material individual transactions, if any, which were not in the normal course of business; and
- (c) material individual transactions, if any, with related parties or others, which were not at arm's length basis.

5.2 Disclosure of accounting treatment:

The Company follows the Accounting Standards issued by The Institute of Chartered Accountants of India and The Companies (Accounting Standards)

Rules, 2006 and in the preparation of financial statements, the Company has not adopted a treatment different from that prescribed in the Accounting Standards.

**5.3 Risk Management :**

The Company has laid down procedures to inform the board about risk assessment and minimization procedures, to ensure that executive management controls risk through means of a properly defined framework.

**5.4 Instances of non-compliances, if any :**

There were no instances of non-compliances by the Company, penalties and strictures imposed on the Company by the Stock Exchanges or Securities and Exchange Board of India (SEBI) or any other statutory authorities on any matter related to capital markets during the last three years.

**5.5 Disclosure by senior management personnel:**

The senior management personnel have made disclosures to the board relating to all material, financial and other transactions stating that they did not have personal interest that could result in a conflict with the interest of the Company at large.

**5.6 CEO and CFO Certification :**

The president (CEO) and general manager - finance (CFO) of the Company have certified to the board on financial and other matters in accordance with clause 49(V) of the Listing Agreement pertaining to CEO/CFO certification for the financial year ended 31<sup>st</sup> March 2011.

**5.7 Compliance with mandatory / non-mandatory requirements:**

The Company has complied with all applicable mandatory requirements in terms of clause 49 of the Listing Agreement. The non-mandatory requirements have been adopted to the extent and in the manner as stated under the appropriate headings detailed elsewhere in this report.

**5.8 Code of Conduct for Prevention of Insider Trading:**

In compliance with the SEBI (Prevention of Insider Trading) Regulations 1992, as amended till date, the Company has a

comprehensive Code of conduct for prevention of insider trading and the same is being strictly adhered to by the directors, senior management personnel and other persons covered by this Code. The Code expressly lays down the guidelines and the procedures to be followed and disclosures to be made, while dealing with the shares of the Company and cautioning them on the consequences of non-compliances thereof.

The Company regularly follows closure of trading window prior to the publication of price sensitive information. The Company has been informing the directors, senior management personnel and other persons covered by the Code about the same, advising not to trade in Company's securities during the closure of trading window period.

**5.9 Management Discussion and Analysis Report:**

The management discussion and analysis report forms part of the Directors' report.

**6. Remuneration Committee**

6.1 The Company constituted a Remuneration Committee on 10<sup>th</sup> July 2009 with the main objective to decide the Company's policy on specific remuneration packages for executive directors if any and manager including, payment of remuneration as per the limits specified in terms of Schedule XIII of the Companies Act, 1956 and to have such additional powers, as may be entrusted to them, from time to time, by the board, on other matters including pension rights and any compensation to managerial personnel. The committee comprises of Mr H Lakshmanan as chairman, Mr C N Prasad and Mr S I Jaffar Ali as members. All the members of the Committee are non-executive and independent directors.

**6.2 Details of remuneration paid to managerial personnel during financial year 2010-11:**

Name & Position (M/s.)	Salary, performance incentives, provident fund & other allowances
A G Giridharan, President cum Manager	Rs.36.90 lakhs

**6.3 Remuneration to directors:**

The directors of the Company do not draw any remuneration from the Company other than the sitting fees for attending the meetings of the board and committees thereof.

Sitting fees of Rs. 2,500/- are paid to the non-executive directors for every meeting of the board and / or committee thereof attended by them, which is within the limits prescribed under the Companies Act, 1956. Presently, the Company does not have a scheme for grant of any stock option, either to the directors or employees of the Company.

**6.4 Particulars of sitting fees paid to the directors during the financial year 2010-2011:**

Name of the Directors (M/s.)	Sitting fees paid (in Rs.)
H Lakshmanan	35,000
C N Prasad	35,000
S I Jaffar Ali	32,500
Martin Grammer	10,000
<b>Total</b>	<b>1,12,500</b>

**6.5 Details of shareholdings of non-executive directors in the Company as on 31<sup>st</sup> March 2011:**

Name of the Directors M/s.	No. of shares held (face value of Rs.10/- each)	Percentage to the paid up capital (%)
H Lakshmanan	2,020	0.03
Martin Grammer	10,87,600	14.00
C N Prasad	-	-
S I Jaffar Ali	-	-

None of the directors of the Company is related to each other.

There are no other pecuniary relationships or transactions of the non-executive directors vis-à-vis of the Company.

**7. Investors' Grievance Committee**

7.1 The Investors' Grievance Committee consists of three members viz., M/s. H Lakshmanan, C N Prasad and S I Jaffar Ali. Mr H Lakshmanan is the

chairman of the Committee. All the members of the committee are non-executive independent directors.

7.2 As required by SEBI, Ms N Iswarya Lakshmi, company secretary is the compliance officer of the Investors' Grievance Committee. For any clarification / complaint, the shareholders may contact Ms N Iswarya Lakshmi, company secretary.

7.3 The Committee oversees and reviews all the matters connected with share transfers, issue of duplicate share certificates and other issues pertaining to shares. The Committee also looks into redressal of investors' grievances pertaining to transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc. The Company, in order to expedite the process of share transfers, has delegated the powers pertaining to share transfers to an officer of the STA. The Company, as a matter of policy, disposes of investor complaints within a span of seven days.

**7.4 Complaints received and redressed during the year 2010-2011:**

S. No.	Nature of Complaints	No. of Complaints
1.	Non-receipt of dividend warrants	2
2.	Others	2
	<b>TOTAL</b>	<b>4</b>

7.5 All the queries and complaints received during the financial year ended 31<sup>st</sup> March 2011 were duly re-dressed and no queries were pending at the year end.

All requests for dematerialization of shares were carried out within the stipulated time period and no share certificate was pending for dematerialization.

**7.6 Reconciliation of Share Capital Audit:**

A qualified Practising Company Secretary carries out a Reconciliation of Share Capital (RSC) Audit on a quarterly basis to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited

(CDSL) and the total issued and listed capital and places the report for perusal of the board. The RSC audit report confirms that the total issued and listed capital of the Company is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

**8. General Body Meeting**

8.1 Location and time where the annual general meetings were held during the last three years:

Year	Location	Date	Time
2007-08	Kasturi Srinivasan Hall (Mini Hall) The Music Academy, No. 168 (Old No.306), TTK Road, Chennai 600 014.	07.08.2008	10.30 A.M.
2008-09	Narada Gana Sabha Trust (Mini Hall), No.314 (Old No.254), T.T.K. Road, Alwarpet, Chennai 600 018.	07.09.2009	10.15 A.M
2009-10	Kasturi Srinivasan Hall (Mini Hall) The Music Academy, No.168 (Old No.306), T.T.K. Road, Chennai 600 014.	06.09.2010	2.30 P.M.

8.2 Special resolutions passed in the previous three annual general meetings:

During the last three years, namely 2007-08 to 2009-10, approval of the shareholders was obtained by passing special resolutions as follows:

Year	Subject	Date of AGM
2007-08	Nil	07.08.2008
2008-09	<ul style="list-style-type: none"> <li>• Revision in payment of remuneration to Mr S Thiagarajan, president, as manager under the Companies Act, 1956.</li> <li>• Appointment of Mr A G Giridharan as manager of the Company as per the provisions of the Companies Act, 1956, effective 11<sup>th</sup> November 2009.</li> </ul>	07.09.2009
2009-10	Nil	06.09.2010

8.3 None of the subjects placed before the shareholders in the last / ensuing annual general meeting required / requires approval of the shareholders through Postal Ballot.

8.4 Postal Ballot:

The board sought the consent of shareholders of the Company by way of special resolution through Postal Ballot notice dated 2<sup>nd</sup> May 2011 for acquisition by way of subscription, purchase or otherwise the securities / making any loan / giving any guarantee / providing security exceeding 60% of the paid up capital and free reserves or 100% of the free reserves, whichever is more in terms of Section 372A of the Companies Act, 1956

The said special resolution was passed by the shareholders of the Company with overwhelming majority. The results of the Postal Ballot are given below.

No. / % of votes cast in favour	No. / % of votes cast against
6,342,209 / 99.88%	7,380 / 0.12%

8.5 Declaration of results of Postal Ballot:

The procedure prescribed under Section 192A of the Companies Act, 1956 read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001 were duly followed for conducting the Postal Ballot during the year to approve the resolution mentioned above. The results of Postal Ballot were announced at the registered office of the Company on 23<sup>rd</sup> June 2011 and the same was advertised in the newspapers namely Business Line and Makkal Kural on 24<sup>th</sup> June 2011.

**9. Means of communication to shareholders**

The board believes that effective communication of information is an essential component of corporate governance. The Company regularly interacts with shareholders through multiple channels of communication such as results announcement, annual report, Company's website and specific communications to Stock

Exchanges, where the Company's shares are listed / traded.

**9.1 Quarterly Results:**

The unaudited quarterly financial results of the Company are published in English and regional newspapers. These are not sent individually to the shareholders.

**9.2 Newspapers wherein results normally published:**

The results are normally published in Economic Times / Business Line and Makkal Kural.

**9.3 Website:**

The Company has in place a website addressed as [www.haritaseating.com](http://www.haritaseating.com). This website contains the basic information about the Company, e.g. details of its business, financial information, shareholding pattern, compliance with corporate governance, contact information of the designated officials of the Company, who are responsible for assisting and handling investor grievances and such other details as required under clause 54 of the Listing Agreement. The Company ensures that the contents of this website are periodically updated.

The Company has designated the following e-mail IDs, namely [investorscomplaintssta@scl.co.in](mailto:investorscomplaintssta@scl.co.in) / [ni.iswarya@scl.co.in](mailto:ni.iswarya@scl.co.in) for the purpose of registering complaints, if any, by the investors and expeditious redressal of their grievances.

**10. General Shareholder information**

**10.1 Annual General Meeting**

Date and time : Monday, 19<sup>th</sup> September, 2011 at 10.15 A.M.  
 Venue : Narada Gana Sabha Trust (Mini Hall), No.314 (Old No.254) T.T.K Road, Alwarpet, Chennai - 600 018.

**10.2 Financial calenders:**

Financial year : 1<sup>st</sup> April 2011 to 31<sup>st</sup> March 2012

Financial Calendar (2011-2012) (Tentative)

Annual General Meeting (next year) : During August / September 2012

Financial reporting for the quarter ended/ ending : Financial calendar

30<sup>th</sup> June 2011 : 3<sup>rd</sup> August 2011

30<sup>th</sup> September 2011 : between 15<sup>th</sup> October and 15<sup>th</sup> November 2011

31<sup>st</sup> December 2011 : between 15<sup>th</sup> January and 15<sup>th</sup> February 2012

31<sup>st</sup> March 2012 : between 15<sup>th</sup> April and 15<sup>th</sup> May 2012

10.3 Date of book closure : 16<sup>th</sup> September 2011 to 19<sup>th</sup> September 2011 (both days inclusive).

**10.4 Listing on Stock Exchanges:**

**Name of the Stock Exchanges**

Madras Stock Exchange Ltd., (MSE)

Bangalore Stock Exchange Ltd., (BgSE)

National Stock Exchange of India Limited (NSE) HARITASEAT (Stock Symbol)

ISIN allotted by Depositories (Company ID Number) INE 939D01015

Effective 7<sup>th</sup> January 2005, the equity shares of the Company are regularly traded in BSE-INDONext under scrip code 590043.

(Note : Annual listing fees and custodial charges for the year 2011-12 were duly paid to the Stock Exchanges and Depositories)

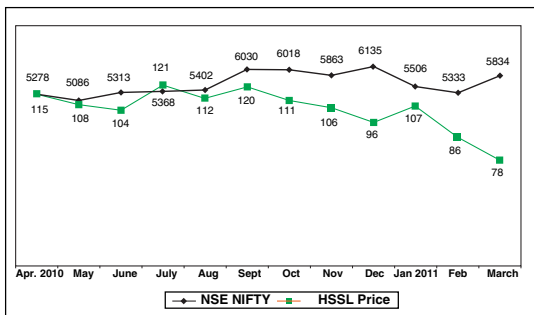
**10.5 Market price data:**

(in Rs.)

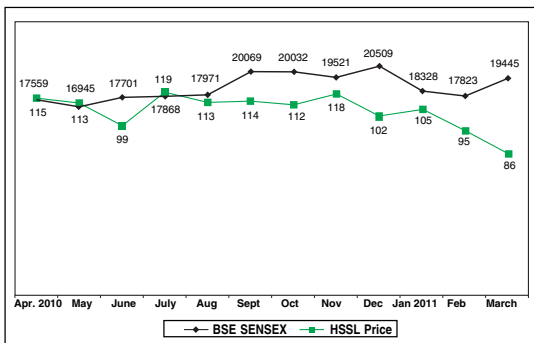
Month	NSE		BSE-INDONext	
	High	Low	High	Low
April 2010	115.00	98.10	115.00	96.05
May 2010	107.70	92.40	113.00	95.10
June 2010	104.00	89.40	99.00	90.40
July 2010	120.50	91.25	119.30	90.00
August 2010	111.85	98.40	112.90	100.00
September 2010	119.90	94.20	113.95	92.55
October 2010	111.05	91.40	111.90	90.50
November 2010	105.90	80.50	117.50	76.05
December 2010	95.90	68.00	101.80	66.40
January 2011	106.65	71.95	104.90	71.50
February 2011	86.40	59.00	95.00	62.15
March 2011	77.70	63.10	86.00	60.00

**10.6 Company's share price performance in comparison to broad based indices - NSE Nifty and BSE Sensex:**

**SHARE PRICE MOVEMENT  
NSE VS HSSL**



**SHARE PRICE MOVEMENT  
BSE SENSEX VS HSSL**



**10.7 Share Transfer Agent and share transfer system:**

- a. With a view to render prompt and efficient service to the shareholders, M/s. Sundaram-Clayton Limited (SCL), which has been registered with SEBI as share transfer agents in Category II, has been appointed as the Share Transfer Agent of the Company (STA). The shareholders have also been advised about this appointment of STA to handle share registry work pertaining to both physical and electronic segments of the Company effective 1<sup>st</sup> October 2004.
- b. All matters connected with the share transfer, dividends and other matters are being handled by the STA located at the address mentioned elsewhere in this report.
- c. Shares lodged for transfer are normally processed within 10 days from the date of lodgement, if the documents are clear in all respects. All requests for dematerialization of securities are processed and the confirmation is given to the depositories within 7 days. Grievances received from investors and other miscellaneous correspondences relating to change of address, mandates etc., are processed by the STA within 7 days.
- d. Certificates are being obtained and submitted to Stock Exchanges, on half-yearly basis, from a Company Secretary-in-practice towards due compliance of share transfer formalities by the Company within the due dates, in terms of clause 47(c) of the Listing Agreement with Stock Exchanges.
- e. Certificates have also been received from a Company Secretary-in-practice and submitted to the Stock Exchanges, on a quarterly basis, for timely dematerialization of shares of the Company and for reconciliation of the share capital of the Company, as required under SEBI (Depositories and Participants) Regulations, 1996.
- f. The Company, as required under clause 47(f) of the Listing Agreement, has designated the following e-mail IDs, namely [investorscomplaintssta@scl.co.in](mailto:investorscomplaintssta@scl.co.in) / [ni.iswarya@scl.co.in](mailto:ni.iswarya@scl.co.in) for the purpose of



registering complaints, if any, by the investors and expeditious redressal of their grievances.

g. Shareholders are, therefore, requested to correspond with STA for transfer/transmission of shares, change of address and queries pertaining to their shareholding, dividend etc., at their address given in this report.

**10.8 Shareholding pattern as on 31<sup>st</sup> March 2011 :**

Category of Shareholder	No. of shares of Rs.10 each	%
Shareholding of Promoter and Promoter Group		
• Indian - Bodies Corporate	40,72,400	52.42
• Foreign - Individuals	10,87,600	14.00
<b>Total (A)</b>	<b>51,60,000</b>	<b>66.42</b>
Public Shareholding		
<b>Institutions</b>		
• Banks, Financial Institutions and Insurance companies	200	-
<b>Total (a)</b>	<b>200</b>	<b>-</b>
<b>Non-Institutions</b>		
• Bodies Corporate	11,54,016	14.86
• Individuals <1 lakh	13,66,905	17.59
• Individuals > 1 lakh	69,205	0.89
• NRI - Repatriable	14,314	0.18
• NRI - Non-Repatriable	4,400	0.06
<b>Total (b)</b>	<b>26,08,840</b>	<b>33.58</b>
<b>Total (B)=(a)+(b)</b>	<b>26,09,040</b>	<b>33.58</b>
<b>Grand Total (A) + (B)</b>	<b>77,69,040</b>	<b>100.00</b>

**10.9 Distribution of Shareholding as on 31<sup>st</sup> March 2011 :**

Shareholding (Range)	No. of shares	%	No. of members	%
Up to 5,000	13,07,016	16.82	3,726	98.96
5,001-10,000	1,49,144	1.92	20	0.53
10,001-20,000	87,142	1.12	7	0.19
20,001-50,000	98,586	1.27	3	0.08
1,00,001 & above	61,27,152	78.87	9	0.24
<b>Total</b>	<b>77,69,040</b>	<b>100.00</b>	<b>3,765</b>	<b>100.00</b>

**10.10 Dematerialisation of shares and liquidity:**

Out of 26,09,040 equity shares of Rs.10/- each held by persons other than promoters, 20,64,148 shares have been dematerialised as on 31<sup>st</sup> March 2011 accounting for 79.12%.

10.11 The Company has not issued any Global Depository Receipt / American Depository Receipt / Warrant or any convertible instrument, which is likely to have impact on the Company's equity.

**10.12 Address for investor correspondence:**

- (i) For transfer / dematerialization of shares, payment of dividend on shares and any other query relating to the shares of the Company : Sundaram-Clayton Limited  
Share Transfer Agent  
Unit : Harita Seating Systems Limited  
New No. 22, Old No. 31  
Railway Colony, 3<sup>rd</sup> Street, Mehta Nagar, Chennai - 600 029.
- (ii) For any query on annual report : Tel. : 044 - 2374 1889,  
044 - 2374 2939  
Fax : 044 - 2374 1889
- (iii) For investors' grievance : Email  
and general correspondence : [ni.iswarya@scl.co.in](mailto:ni.iswarya@scl.co.in)  
[nvestorscomplaintsta@scl.co.in](mailto:nvestorscomplaintsta@scl.co.in)  
[kr.raman@scl.co.in](mailto:kr.raman@scl.co.in)  
[sclshares@gmail.com](mailto:sclshares@gmail.com)

**10.13 Plant Locations:**

- Hosur : Belagondapalli, Thally Road, Hosur - 635 114, Tamil Nadu, India  
Tel : 04347 - 233445  
Fax : 04347 - 233460  
Email: [agiri@haritaseating.com](mailto:agiri@haritaseating.com)
- Ranjangaon : Plot No.A2, MIDC Industrial area, Ranjangaon, Koregaon Village, Shirur taluk, Pune - 412 210 Maharashtra, India  
Tel : 02138 - 660742  
Email: [agiri@haritaseating.com](mailto:agiri@haritaseating.com)
- Himachal Pradesh : Chaurasia Road, Pargana Plassi Village Bhatian, Thesil Nalagarh Solan District - 174 101 Himachal Pradesh, India  
Tel : 01795 - 220562  
Email: [agiri@haritaseating.com](mailto:agiri@haritaseating.com)
- Karnataka : Plot No. 116, 117, Bommasandra Industrial Area Bengaluru - 560 099 Karnataka, India  
Tel : 080 - 27832851  
Fax : 080 - 27832853  
Email: [agiri@haritaseating.com](mailto:agiri@haritaseating.com)

### 11. Non-Mandatory Disclosure

The non-mandatory requirements have been adopted to the extent and in the manner as stated under the appropriate headings detailed below:

#### 11.1 The Board:

The non-executive directors of the Company are liable to retire by rotation and if eligible, offer themselves for re-appointment. No policy has been fixed on determining specific tenure for the independent directors.

#### 11.2 Remuneration Committee:

The board has set up a remuneration committee on 10<sup>th</sup> July 2009.

#### 11.3 Shareholder rights:

The half-yearly results of the Company are published in English and Regional newspapers and are also displayed on the Company's website namely [www.haritaseating.com](http://www.haritaseating.com) and in the official website of the Stock Exchanges, where the shares of the Company are listed / traded, as soon as the results are approved by the board. The results are not sent to the shareholders individually.

#### 11.4 Audit Qualifications:

The statutory financial statements of the Company are unqualified.

#### 11.5 Training of board members / Mechanism for evaluating non-executive directors:

The present board consists of well-experienced and responsible members of society. All the directors are well aware of business model as well as the risk profile of the business parameters of the Company and their responsibilities as directors. Hence, in the opinion of the board, they do not require any further training. There is also no specific mechanism for evaluating the performance of the non-executive directors of the Company.

#### 11.6 Whistle Blower Policy:

The Company has not adopted whistle blower policy. However, the Company has

not denied access to any personnel to approach the management on any issue.

### 12. Request to shareholders

Shareholders are requested to follow the general safeguards / procedures as detailed hereunder in order to serve them efficiently and avoid risks while dealing in securities of the Company.

#### 12.1 Demat of Shares:

Shareholders are requested to convert their physical holding to demat/ electronic form through any of the Depository Participants (DPs) to avoid any possibility of loss, mutilation etc., of physical share certificates and also to ensure safe and speedy transaction in securities.

#### 12.2 Registration of Electronic Clearing Service (ECS) Mandate:

SEBI has made it mandatory for all companies to use the bank account details furnished by the Depositories for payment of dividend through ECS to investors wherever ECS and bank details are available. The Company will not entertain any direct request from members holding shares in electronic mode for deletion of / change in such bank details. Members who wish to change such bank account details are therefore requested to advise their DPs about such change, with complete details of bank account.

ECS helps in quick remittance of dividend without possible loss/delay in postal transit. Shareholders, who have not earlier availed this facility, are requested to register their ECS details with the STA or their respective DPs.

#### 12.3 Transfer of shares in physical mode:

Shareholders should fill up complete and correct particulars in the transfer deed, for expeditious transfer of shares. Wherever applicable, registration number of power of attorney should also be quoted in the transfer deed at the appropriate place.

- Shareholders, whose signatures have undergone any change over a period of time, are requested to lodge their new specimen signature duly attested by a bank manager to the STA. In terms of SEBI's circular no. MRD/DoP/Cir -05/1009 dated 20<sup>th</sup> May 2009, it has made it mandatory for transferees to furnish a copy of Permanent Account Number (PAN) for registration of transfer of shares held in physical mode.
- In case of loss / misplacement of share certificates, Shareholders should immediately lodge a FIR / Complaint with the police and inform the Company / STA with original or certified copy of FIR / acknowledged copy of complaint for marking stop transfer of shares.
- 12.4 Consolidation of Multiple Folios:  
Shareholders, who have multiple folios in identical names, are requested to apply for consolidation of such folios and send the relevant share certificates to the Company.
- 12.5 Registration of Nominations:  
Nomination in respect of shares - Section 109A of the Companies Act, 1956 provides facility for making nominations by shareholders in respect of their holding of shares. Such nomination greatly facilitates transmission of shares from the deceased shareholder to his / her nominee without having to go through the process of obtaining succession certificate / probate of the Will etc.
- It would therefore be in the best interests of the shareholders holding shares in physical form registered as a sole holder to make such nominations. Shareholders, who have not availed nomination facility, are requested to avail the same by submitting the nomination in Form 2B. This form will be made available on request. Shareholders holding shares in demat form are advised to contact their DP's for making nominations.
- 12.6 Updation of address:  
Shareholders are requested to update their address registered with the Company, directly through the STA located at the address mentioned above, to receive all communications promptly.
- Shareholders, holding shares in electronic form, are requested to deal only with their DPs in respect of change of address and furnishing bank account number, etc.
- 12.7 SMS Alerts:  
Investors are requested to note that NSDL and CDSL have announced the launch of SMS facility for demat account holders whereby Shareholders will receive alerts for debits / credits (transfers) to their demat accounts a day after the transaction. These alerts will be sent to those account holders who have provided their mobile numbers to their respective DPs. No charge will be levied by NSDL / CDSL on DPs providing this facility to investors. This facility will be available to investors who request for the same and provide their mobile numbers to the DPs. Further information is available on the website of NSDL and CDSL namely [www.nsdl.co.in](http://www.nsdl.co.in) and [www.cdslindia.com](http://www.cdslindia.com), respectively
- 12.8 Timely encashment of dividends:  
Shareholders are requested to encash their dividends promptly to avoid hassles of revalidation/ losing your right of claim owing to transfer of unclaimed dividends beyond seven years to Investor Education and Protection Fund (IEPF).
- As required by SEBI, shareholders are requested to furnish details of their bank account number, name and address of the bank for incorporating the same in the warrants. This would avoid wrong credits being obtained by unauthorized persons.
- Shareholders who have not encashed their dividend warrants, in respect of

dividends declared for the year ended 31<sup>st</sup> March 2004 and for any financial year thereafter may contact the Company and surrender their warrants for payment.

Shareholders are requested to note that the dividends, not claimed for a period of seven years from the date they first became due for payment shall be transferred to IEPF in terms of Section 205C of the Companies Act, 1956. Accordingly, a sum of Rs.69,847 being unclaimed dividend upto 31<sup>st</sup> March 2003, was transferred to IEPF during the year. Shareholders are requested to note that as per the applicable provisions of be Companies Act, 1956, unclaimed dividends, once transferred to IEPF, will not be refunded.

Information in respect of unclaimed dividends due for remittance to IEPF is given below:

**PARTICULARS OF UNCLAIMED DIVIDEND OF THE COMPANY**

Financial Year	Date of declaration	Date of transfer to special account	Date of transfer to IEPF
2003-04	19.08.2004	24.09.2004	24.09.2011
2004-05	05.09.2005	11.10.2005	11.10.2012
2005-06	18.09.2006	24.10.2006	24.10.2013
2006-07 (Interim)	22.03.2007	27.04.2007	27.04.2014
2007-08 (Interim)	07.08.2008	12.09.2008	12.09.2015

**UNCLAIMED SHARE CERTIFICATES**

In terms of the provisions of clause 5A of the Listing Agreement (introduced vide SEBI circular dated 16<sup>th</sup> December, 2010) the share certificates, remaining unclaimed by the shareholders, will be dematerialized and transferred to "Unclaimed Suspense Account". As required under this clause

of the Listing Agreement, the Company has sent first reminder letter to the shareholders, whose share certificates were returned undelivered or unclaimed. It is also proposed to send the second and third reminder letters during the current year 2011-2012.

Shareholders who are in receipt of the reminder letters are requested to write to STA and provide the correct details to enable to the Company to re-send the share certificates. Action will be taken thereafter to transfer the shares so unclaimed to "Unclaimed Suspense Account". These shares would be thereafter transferred to the respective shareholders as and when claimed by them.

**GREEN INITIATIVE IN CORPORATE GOVERNANCE**

MCA has undertaken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the companies and has issued circulars stating that service of notice, annual report, etc., can be sent by e-mail to its members. The advantages of sending documents in e-mail are to:

- Receive communication promptly;
- Reduce paper consumption and save trees;
- Eliminate wastage of paper;
- Avoid loss of document in postal transit; and
- Save costs on paper and on postage

Accordingly, the annual report for the year 2010-11, comprising of notice for the annual general meeting, etc. are being sent in electronic mode to such of the members whose e-mail addresses are available and registered with the Company / DPs and who have not opted to receive the same in electronic mode, are being sent in physical form.

To support this green initiative of the Government, members are requested to register their e-mail addresses, with the DPs, in case shares are held in dematerialized form and with the STA, in case the shares are held in physical form and also intimate changes, if any, in their registered e-mail addresses to the Company / DPs from time to time.

**DECLARATION PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT REGARDING ADHERENCE TO THE CODE OF BUSINESS CONDUCT AND ETHICS**

To

The Shareholders  
Harita Seating Systems Limited, Chennai

On the basis of the written declarations received from members of the board and senior management personnel in terms of the relevant provisions of clause 49 of the Listing Agreement, we hereby certify that both the members of the board and the senior management personnel of the Company have affirmed compliance with the respective provisions of the Code of Business Conduct and Ethics of the Company as laid down by the board for the year ended 31<sup>st</sup> March 2011.

Chennai  
3<sup>rd</sup> August, 2011

A G GIRIDHARAN  
President cum Manager

N ISWARYA LAKSHMI  
Company Secretary

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**AUDITORS' CERTIFICATE ON COMPLIANCE OF THE PROVISIONS OF THE CODE OF CORPORATE GOVERNANCE IN THE LISTING AGREEMENT**

To

The shareholders  
Harita Seating Systems Limited, Chennai

We have examined the compliance of conditions of Corporate Governance by Harita Seating Systems Limited, Chennai 600 006 for the year ended 31<sup>st</sup> March 2011, as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us,

we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the abovementioned Listing Agreement.

We state that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Investors' Grievances Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For SUNDARAM & SRINIVASAN  
CHARTERED ACCOUNTANTS  
FRN: 004207S

Chennai  
3<sup>rd</sup> August, 2011

M BALASUBRAMANIAM  
Partner  
Membership No.F7945

**Auditors' report to the shareholders of Harita Seating Systems Limited, Chennai for the year ended 31<sup>st</sup> March 2011.**

We have audited the attached Balance Sheet of Harita Seating Systems Limited, Chennai 600 006 as at 31<sup>st</sup> March 2011 and the Profit and Loss account for the year ended on that date annexed thereto and the Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

1. We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.
2. As required by the Companies (Auditor's Report) Order, 2003 and amended by the Companies (Auditor's report) (Amendment) Order, 2004 issued by the Central Government in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
3. Further to our comments in the Annexure, referred to above, we state that -
  - (i) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (ii) in our opinion, proper books of account, as required by law, have been kept by the Company so far as it appears from our examination of those books. The Company's branch accounts were also audited by us;
  - (iii) the balance sheet, profit and loss account and cash flow statement referred to in this

report are in agreement with the books of account including its branch;

- (iv) in our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards, referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
- (v) on the basis of written representations received from the directors, as on 31<sup>st</sup> March 2011 and taken on record by the board of directors, we report that no director is disqualified from being appointed as a director of the Company in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956 on the said date; and
- (vi) in our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the significant accounting policies and other notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.
  - a. In so far as it relates to the balance sheet, of the state of affairs of the Company as at 31<sup>st</sup> March 2011;
  - b. In so far as it relates to the profit and loss account, of the loss for the year ended on that date; and
  - c. In so far as it relates to the cash flow statement, of the cash flows for the year ended on that date.

For SUNDARAM & SRINIVASAN  
CHARTERED ACCOUNTANTS  
FRN: 004207S

M BALASUBRAMANIAM  
Partner  
Membership No.F7945

Chennai  
3<sup>rd</sup> August, 2011

**Annexure referred to in our report of even date on the accounts for the year ended 31<sup>st</sup> March 2011.**

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) Fixed assets are verified physically by the management at reasonable intervals. In our opinion the interval is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) The assets disposed off during the year are not substantial and therefore do not affect the going concern status of the Company.
- (ii) (a) The inventories have been physically verified at reasonable intervals during the year by the management. In our opinion, the frequency of such verification is adequate. In respect of inventory with third parties which have not been physically verified, there is a process of obtaining confirmation from such parties.
- (b) In our opinion and according to the information and explanations given to us, the procedures for physical verification of inventory followed by the management were reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) In our opinion, the Company has maintained proper records of inventory. The discrepancies between the physical stocks and the books stocks were not material and have been properly dealt with in the books of account.
- (iii) (a) During the year the Company has not granted any loan, secured or unsecured to companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956.
- (b) During the year, the Company has taken an unsecured loan of Rs. 300 lakhs from one Company covered in the register maintained under Section 301 of the Companies Act, 1956. The amount outstanding at the year end is Rs. 1800 lakhs.
- (c) In our opinion, the rate of interest and the terms and other conditions of loan taken by the Company were not, prima facie prejudicial to the interest of the Company. The payment of interest was regular and in accordance with the terms of loan. No portion of the principal amount was due for re-payment during the financial year.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and for the sale of goods and services. During the course of our audit, no minor or major continuing failure has been noticed in the internal control system.
- (v) (a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the contracts or arrangements that need to be entered in the register maintained in pursuance of Section 301 of the Companies Act, 1956 have been properly entered in the said register.
- (b) In our opinion and according to the information and explanations given to us, the transactions entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding in value by rupees five lakhs during the year in respect of each party have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposit from the public.
- (vii) The Company has an internal audit system which, in our opinion, is commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government under Section 209 (1)(d) of the Companies Act, 1956 for maintenance of cost records and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained.
- (ix) (a) According to the records provided to us, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Employees State Insurance, Investor Education and Protection Fund, Sales Tax, Wealth Tax, Service Tax, Income Tax, Customs Duty, Excise Duty, Cess and other statutory dues with the appropriate authorities. However, there have been delays in few payments dealt with herein. The provisions of Employees State Insurance Act, 1948 are not applicable to the units at Hosur and Pune.

- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Service Tax, Customs Duty, Excise Duty and Cess were in arrears, as at 31<sup>st</sup> March 2011 for a period of more than six months from the date they became payable.
- (c) According to information and explanations given to us, the following is the detail of the disputed dues that were not deposited with the concerned authorities:

Name of the statute	Nature of dues	Amount (Rs. in Lakhs)	Forum where dispute is pending
Income Tax Act, 1961	Income tax	44.77	Commissioner of Income tax (Appeals), Chennai
Central Excise Act, 1944	Excise duty	199.81	The Commissioner of Central Excise, Chennai III Commissionerate
Central Excise Act, 1944	Excise duty	38.19	The Assistant Commissioner of Central Excise, Hosur II Division, Hosur
Finance Act, 1994	Service tax	179.15	The Commissioner of Central Excise, Chennai III Commissionerate.
Finance Act, 1994	Service tax	9.20	The Additional Commissioner of Central Excise, Chennai III Commissionerate.
Finance Act, 1994	Service tax	40.16	The Asst. Commissioner of Central Excise Hosur II Division Hosur.
Karnataka Value Added Tax, 2003	Value Added Tax	5.95	The Joint. Commissioner of Commercial Taxes (Appeals), Bangalore.
Tamil Nadu Value Added Tax, 2006	Value Added Tax	94.37	High Court of Madras, Chennai

- (x) The Company has incurred cash loss during the year. However, the accumulated losses is not exceeding fifty percent of its net worth.
- (xi) Based on our verification and according to the information and explanations given by the

management, the Company has not defaulted in repayment of dues to its banks.

- (xii) Based on our examination and according to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The Company is not a chit / nidhi / mutual benefit fund / society and as such clause (xiii) of the Order is not applicable.
- (xiv) The Company is not dealing or trading in shares, securities, debentures and other investments. However, the Company invests its surplus funds in mutual funds from time to time. Securities are held as long term investments and are not traded in.
- (xv) The Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) The term loan availed by the Company was utilized for the purpose for which the loan was obtained.
- (xvii) On the basis of our examination, the Company has not used funds raised on short term basis for long term investment.
- (xviii) During the year, the Company has not allotted any shares on preferential basis to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) During the year, the Company has not issued any secured debentures.
- (xx) During the year, the Company has not raised any money by public issue.
- (xxi) Based on the audit procedures adopted and information and explanations given to us by the management, no fraud on or by the Company has been noticed or reported during the course of our audit.

For SUNDARAM & SRINIVASAN  
 CHARTERED ACCOUNTANTS  
 FRN: 004207S

M BALASUBRAMANIAM  
 Partner  
 Membership No.F7945

Chennai  
 3<sup>rd</sup> August, 2011



# HARITA SEATING SYSTEMS LIMITED

## Balance Sheet as at 31<sup>st</sup> March, 2011

	Schedule Number	As at 31.03.2011		Rs. in Lakhs As at 31.03.2010
<b>I SOURCES OF FUNDS</b>				
<b>1. Shareholders' funds</b>				
a) Capital	I	776.90	776.90	
b) Reserves and surplus	II	<u>1,561.79</u>	<u>2,072.98</u>	2,849.88
		<b>2,338.69</b>		
<b>2. Loans</b>				
a) Secured loans	III	3,393.83	3,348.62	
b) Unsecured loans	IV	<u>2,495.14</u>	<u>2,073.65</u>	5,422.27
		<b>5,888.97</b>		
<b>3. Deferred tax liability</b> (net of deferred tax asset)				
		<b>247.97</b>		322.08
TOTAL		<u><b>8,475.63</b></u>	<u></u>	<u>8,594.23</u>
<b>II APPLICATION OF FUNDS</b>				
<b>1. Fixed assets</b>				
a) Gross block	V	7,726.27	7,758.82	
b) Less: depreciation		<u>3,297.49</u>	<u>3,053.71</u>	
c) Net block		<b>4,428.78</b>		4,705.11
d) Capital work - in - progress	VI	<b>223.85</b>		—
<b>2. Investments</b>				
	VII	<b>2,952.10</b>		2,988.76
<b>3. Current assets, loans and advances</b>				
a) Interest accrued on deposits		1.26	0.97	
b) Inventories	VIII	839.83	805.57	
c) Sundry debtors	IX	5,105.43	5,612.18	
d) Cash and bank balances	X	350.51	403.70	
e) Other current assets	XI	162.51	161.72	
f) Loans and advances	XII	<u>1,995.10</u>	<u>1,727.40</u>	
TOTAL (A)		<u><b>8,454.64</b></u>	<u>8,711.54</u>	
<b>Less: Current liabilities and provisions</b>				
a) Current liabilities	XIII	7,193.05	7,278.13	
b) Provisions	XIV	<u>390.69</u>	<u>533.05</u>	
TOTAL (B)		<u><b>7,583.74</b></u>	<u>7,811.18</u>	
Net current assets	(A)-(B)	<b>870.90</b>		900.36
TOTAL		<u><b>8,475.63</b></u>	<u></u>	<u>8,594.23</u>
Notes on accounts	XIX			

H LAKSHMANAN Chairman	C N PRASAD Director	A G GIRIDHARAN President cum Manager	As per our report annexed For SUNDARAM & SRINIVASAN Chartered Accountants FRN: 004207S
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Chennai 3 <sup>rd</sup> August, 2011	N ISWARYA LAKSHMI Company Secretary	M. BALASUBRAMANIYAM Partner Membership No.F7945
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## HARITA SEATING SYSTEMS LIMITED

### Profit and Loss Account for the year ended 31<sup>st</sup> March, 2011

	Schedule Number	Year ended 31.03.2011	Rs. in Lakhs Year ended 31.03.2010
Sales-Gross		<b>24,434.26</b>	24,029.16
Less: Excise duty		<b>1,930.26</b>	1,672.81
Net sales		<b>22,504.00</b>	22,356.35
Other income	XV	<b>691.17</b>	893.51
	(A)	<b>23,195.17</b>	23,249.86
Raw materials and components consumed	XVI	<b>18,036.74</b>	16,426.22
Salaries, wages, stores consumed and other expenses	XVII	<b>4,578.39</b>	5,336.08
	(B)	<b>22,615.13</b>	21,762.30
Profit before interest, depreciation and tax	(A) - (B)	<b>(C) 580.04</b>	1,487.56
Interest	XVIII	<b>732.48</b>	704.44
Depreciation		<b>431.66</b>	883.52
	(D)	<b>1,164.14</b>	1,587.96
Profit / (Loss) before tax	(C) - (D)	<b>(E) (584.10)</b>	(100.40)
Provision for taxation - Income tax		-	13.00
- Deferred tax		<b>(74.11)</b>	(122.21)
	(F)	<b>(74.11)</b>	(109.21)
Profit / (Loss) for the year after tax	(E) - (F)	<b>(509.99)</b>	8.81
Balance profit brought forward		<b>17.20</b>	-
Profit / (Loss) for the year		<b>(509.99)</b>	8.81
		<b>(492.79)</b>	8.81
Tax relating to earlier years		<b>1.20</b>	(8.39)
Balance surplus / (deficit) carried forward to balance sheet		<b>(493.99)</b>	17.20
		<b>(492.79)</b>	8.81
No of equity shares		<b>7,769,040</b>	7,769,040
Nominal value of equity shares - Rs.		<b>10.00</b>	10.00
Basic and diluted earnings per share - Rs.		<b>(6.56)</b>	0.11
Notes on accounts	XIX		

H LAKSHMANAN  
Chairman

C N PRASAD  
Director

A G GIRIDHARAN  
President cum Manager

As per our report annexed  
For SUNDARAM & SRINIVASAN  
Chartered Accountants  
FRN: 004207S

Chennai  
3<sup>rd</sup> August, 2011

N ISWARYA LAKSHMI  
Company Secretary

M. BALASUBRAMANIAM  
Partner  
Membership No.F7945

## HARITA SEATING SYSTEMS LIMITED

### Schedules

	<b>As at 31.03.2011</b>	Rs. in Lakhs As at 31.03.2010
<b>I CAPITAL</b>		
Authorised		
1,00,00,000 Equity shares of Rs.10/- each	<u>1,000.00</u>	<u>1,000.00</u>
Issued, subscribed and paid up		
77,69,040 Equity shares of Rs.10/- each fully paid up	<u>776.90</u>	<u>776.90</u>
	<u>776.90</u>	<u>776.90</u>
<b>II RESERVES AND SURPLUS</b>		
a) State Subsidy	15.00	15.00
b) General reserve		
As per last balance sheet	2,030.78	2,675.00
Less: Debit balance in Profit and Loss account	<u>493.99</u>	<u>644.22</u>
	1,536.79	2,030.78
c) Capital redemption reserve	10.00	10.00
d) Surplus i.e.		
Balance in profit and loss account	-	17.20
	<u>1,561.79</u>	<u>2,072.98</u>
<b>III SECURED LOANS</b>		
From banks		
a. Secured by a first charge on specified fixed assets of the Company	1.72	453.65
b. Secured by equitable mortgage of land and buildings at Vellanthagal village, Thandalam Group and at Bommasandra Industrial Layout, Bangalore and first charge on specific fixed assets and current assets on <i>pari passu</i> basis with existing term lenders	1,871.98	2,723.96
c. Secured by hypothecation of raw materials, work-in-process, finished goods and book debts	1,520.13	171.01
	<u>3,393.83</u>	<u>3,348.62</u>
<b>IV UNSECURED LOANS</b>		
a) From bank - short term	550.11	406.75
b) From others - long term	1,945.03	166.90
- short term	-	1,500.00
	<u>2,495.14</u>	<u>2,073.65</u>

Schedules - (Continued)  
V FIXED ASSETS

Rs. in Lakhs

Description	Total											
	Free hold land	Lease hold land	Buildings	Plant & machinery	Vehicles	Office equipment	Software	Moulds	Furniture & fittings	Canteen Equipment	As at 31.03.2011	As at 31.03.2010
<b>Cost of assets</b>												
As at 01-04-2010	889.31	38.98	2,019.34	3,311.43	26.59	599.54	110.86	632.24	96.87	33.66	7,758.82	11,494.96
Additions	-	-	20.36	246.32	-	20.18	1.56	21.84	10.57	0.10	320.93	2,845.66
Sale/deletion	889.31	38.98	2,039.70	3,557.75	26.59	619.72	112.42	654.08	107.44	33.76	8,079.75	14,340.62
	-	-	-	278.71	0.40	1.65	-	72.43	0.29	-	353.48	6,581.80
<b>Total</b>	889.31	38.98	2,039.70	3,279.04	26.19	618.07	112.42	581.65	107.15	33.76	7,726.27	7,758.82
<b>Depreciation/Amortisation</b>												
Upto 31-03-2010	-	6.12	356.87	1,801.85	21.03	430.80	103.83	278.19	36.88	18.14	3,053.71	3,501.27
For the year	-	0.41	67.72	251.20	2.40	29.77	7.07	63.90	6.52	2.67	431.66	883.52
Withdrawn on assets sold / deleted	-	6.53	424.59	2,063.05	23.43	460.57	110.90	342.09	43.40	20.81	3,485.37	4,384.79
<b>Total</b>	-	6.53	424.59	1,884.33	23.05	459.79	110.90	324.35	43.14	20.81	3,297.49	3,053.71
	-	-	-	168.72	0.38	0.78	-	17.74	0.26	-	187.88	1,331.08
<b>Written down value</b>												
As at 31-03-2011	889.31	32.45	1,615.11	1,394.71	3.14	158.28	1.52	257.30	64.01	12.95	4,428.78	4,705.11
As at 31-03-2010	889.31	32.86	1,662.47	1,509.58	5.56	168.74	7.03	354.05	59.99	15.52	4,428.78	4,705.11

As at 31.03.2011

As at 31.03.2010

VI CAPITAL WORK - IN - PROGRESS (AT COST)

Building	219.64	-
Machinery	4.21	-
	<u>223.85</u>	<u>-</u>

**Schedules - (Continued)**

**VII INVESTMENTS - LONG TERM**

A. Non-trade-quoted

		Rs. in lakhs				
(a)	(b)	Cost As at 1 <sup>st</sup> April, 2010 (c)	Additions during the year (d)	Sales/ realisation during the year (e)	Cost As at 31 <sup>st</sup> March, 2011 (f)=(c)+(d)-(e)	Market value As at 31 <sup>st</sup> March, 2011
<b>a. L&amp;T Mutual Fund, Mumbai</b> (formerly DBS Cholamandalam Asset Management)						
1	3,06,590.379 units in Small cap-fund Cumulative *	8.06	-	-	8.06	15.08
2	4,13,746.147 units in Hedged Equity fund Cumulative *	30.41	-	30.41	-	-
<b>Total (a)</b>		<b>38.47</b>	<b>-</b>	<b>30.41</b>	<b>8.06</b>	<b>15.08</b>
<b>b. Birla Sun Life Mutual Fund, Chennai</b> 6,34,146.341 Units in BSL International Equity Plan - B Growth *						
<b>Total (b)</b>		<b>33.82</b>	<b>-</b>	<b>33.82</b>	<b>-</b>	<b>-</b>
<b>c. HDFC Standard Life Insurance, Mumbai</b> 2,22,510.9166 units in HDFC Group Unit Linked Plan Balanced Managed Fund						
<b>Total (c)</b>		<b>157.47</b>	<b>0.96</b>	<b>71.42</b>	<b>87.01</b>	<b>120.22</b>
<b>Total (A) = (a)+(b)+(c)</b>		<b>229.76</b>	<b>0.96</b>	<b>135.65</b>	<b>95.07</b>	<b>135.30</b>

(Aggregate market value of all investments Rs.135.30 lakhs - Last year Rs.329.99 lakhs)

\* Cost net of diminution as applicable.

B. Non-trade-unquoted

**Life Insurance Corporation of India,  
Chennai**

Group Annuity Policy

**Total (B)**

**Total (C) = (A)+(B)**

-	98.03	-	98.03	-
-	<b>98.03</b>	-	<b>98.03</b>	-
<b>229.76</b>	<b>98.99</b>	<b>135.65</b>	<b>193.10</b>	-

C. Trade-unquoted

In subsidiary company:

1,02,50,000 Equity shares of Harita Fehrer Ltd, Chennai, (formerly known as Harita Polymer Limited, Chennai, up to 21<sup>st</sup> August 2009) a subsidiary, @ Rs.10/- each, of which 1,02,00,000 equity shares acquired at a premium of Rs.17/- per share fully paid

**Total (D)**

**Grand Total (C)+(D)**

2,759.00	-	-	2,759.00	-
<b>2,759.00</b>	<b>-</b>	<b>-</b>	<b>2,759.00</b>	<b>-</b>
<b>2,988.76</b>	<b>98.99</b>	<b>135.65</b>	<b>2,952.10</b>	<b>-</b>

## HARITA SEATING SYSTEMS LIMITED

### Schedules - (Continued)

	As at 31.03.2011	Rs. in Lakhs As at 31.03.2010
<b>VIII INVENTORIES (At lower of cost or net realisable value )</b>		
* Raw materials and components	308.32	335.73
* Work-in-process	201.54	237.02
* Finished goods	257.15	144.01
* Stores	72.82	80.63
Goods in bond	—	8.18
	<u>839.83</u>	<u>805.57</u>
* As certified by a Director		
<b>IX SUNDRY DEBTORS</b>		
a) Debts outstanding for a period exceeding six months		
- Unsecured considered good	973.02	779.15
- Unsecured considered doubtful	357.62	383.72
	<u>1,330.64</u>	<u>1,162.87</u>
Less: Provision for doubtful debts	357.62	383.72
	<u>973.02</u>	<u>779.15</u>
b) Other debts		
- Unsecured considered good	4,132.41	4,833.03
Total	<u>5,105.43</u>	<u>5,612.18</u>
<b>X CASH AND BANK BALANCES</b>		
a) Cash on hand	11.40	39.00
b) With scheduled banks		
1) Current account	336.32	361.91
2) Deposit account	2.79	2.79
	<u>350.51</u>	<u>403.70</u>
<b>XI OTHER CURRENT ASSETS</b>		
a) Prepaid expenses	45.90	77.85
b) Income tax deducted at source	116.61	83.87
	<u>162.51</u>	<u>161.72</u>
<b>XII LOANS AND ADVANCES - unsecured considered good</b>		
a) Advances recoverable in cash or kind or for value to be received	1,934.96	1,662.42
b) Deposits	60.14	64.98
	<u>1,995.10</u>	<u>1,727.40</u>
<b>XIII CURRENT LIABILITIES</b>		
a) Sundry creditors	7,184.60	7,268.14
b) Unpaid dividend	8.45	9.99
	<u>7,193.05</u>	<u>7,278.13</u>

## HARITA SEATING SYSTEMS LIMITED

### Schedules - (Continued)

	As at / Year ended 31.03.2011	Rs. in Lakhs As at / Year ended 31.03.2010
<b>XIV PROVISIONS</b>		
a) Taxation	32.31	161.81
b) Warranty	53.42	66.03
c) Leave pay	24.57	38.28
d) Pension	178.18	195.78
e) Others - Employee related	102.21	71.15
	<u>390.69</u>	<u>533.05</u>
<b>XV OTHER INCOME</b>		
a) Scrap sales	103.56	65.37
b) Profit on sale of assets	0.04	716.10
c) Profit on sale of investments	90.55	24.32
d) Management services (gross) (TDS Rs.8.27 lakhs) (Last year Rs.1.38 lakhs)	75.00	12.50
e) Lease Income (gross) (TDS Rs.6.95 lakhs) (Last year Rs.1.73 lakhs)	62.98	15.71
f) Miscellaneous income (see note No.7)	359.04	59.51
	<u>691.17</u>	<u>893.51</u>
<b>XVI RAW MATERIALS AND COMPONENTS CONSUMED</b>		
<b>OPENING STOCK</b>		
Raw materials	335.73	499.96
Work-in-process	237.02	136.08
Finished goods	144.01	132.51
	<u>716.76</u>	<u>768.55</u>
Purchase of raw materials and components	18,086.99	16,374.43
Total (A)	<u>18,803.75</u>	<u>17,142.98</u>
<b>CLOSING STOCK</b>		
Raw materials	308.32	335.73
Work-in-process	201.54	237.02
Finished goods	257.15	144.01
Total (B)	<u>767.01</u>	<u>716.76</u>
Consumption (A)-(B)	<u>18,036.74</u>	<u>16,426.22</u>

**Schedules - (Continued)**

	Year ended 31.03.2011	Rs. in Lakhs Year ended 31.03.2010
<b>XVII SALARIES, WAGES, STORES CONSUMED AND OTHER EXPENSES</b>		
a) Salaries, wages and bonus* #	1,578.97	1,677.77
b) Contribution to provident and other funds* #	58.64	144.24
c) Staff welfare expenses*	287.30	256.79
d) Stores and tools consumed	459.12	283.10
e) Power and fuel*	181.69	301.59
f) Rent*	10.54	24.00
g) Rates and taxes*	21.15	51.86
h) Repairs and maintenance*		
- Building	75.37	93.96
- Machinery	102.96	294.68
- Other assets	75.87	107.89
i) Audit fees - as auditors	6.00	6.00
- tax audit	1.00	1.00
- certification	0.50	0.50
- others	1.05	-
j) Directors' sitting fees	1.13	1.18
k) Insurance	48.25	66.10
l) Other expenses* (see note No.6)	1,666.87	2,022.69
m) Excise duty paid on samples	1.22	1.89
n) Loss on sale of assets	0.76	0.84
	<u>4,578.39</u>	<u>5,336.08</u>
[* Net of recoveries]		
[# includes to manager] {Vide Note No. 12}		
<b>XVIII INTEREST</b>		
a) On fixed loans	393.99	863.33
b) On other loans	340.98	433.12
Total (A)	<u>734.97</u>	<u>1,296.45</u>
Less: Interest income		
a) Interest on advances and deposits ( gross) (TDS Rs.0.13 lakhs) ( Last year Rs.0.25 lakhs)	2.49	2.21
b) Interest on Loans (gross) (TDS - Nil; Last year - Rs.58.98 lakhs)	-	589.80
Total (B)	<u>2.49</u>	<u>592.01</u>
(A) - (B)	<u>732.48</u>	<u>704.44</u>



**Schedules - (Continued)**

	<b>As at/year ended 31.03.2011</b>	Rs. in Lakhs As at/year ended 31.03.2010
<b>XIX NOTES ON ACCOUNTS</b>		
<b>1 Notes on Accounting Standards prescribed by The Institute of Chartered Accountants of India</b>		
<b>ACCOUNTING STANDARD (1) - Disclosure of accounting policies</b>		
The accounts are maintained on accrual basis as a going concern.		
<b>ACCOUNTING STANDARD (2) - Valuation of inventories</b>		
Inventories are valued in accordance with the method of valuation prescribed by the Institute of Chartered Accountants of India at weighted average rates and in applicable cases at lower of cost or net realisable value.		
<b>ACCOUNTING STANDARD (3) - Cash flow statement</b>		
The cash flow statement is prepared under "indirect method" and the same is annexed.		
<b>ACCOUNTING STANDARD (4) -Contingencies and events occurring after the balance sheet date</b>		
Details regarding contested liabilities are furnished in Note No.3 and also disclosed under Accounting Standard - 29.		
<b>ACCOUNTING STANDARD (5) Net profit or loss for the period, prior period items and changes in accounting policies</b>		
a) Prior period Items		
- Legal & retainer fee	-	1.12
- Data and peripherals charges	-	0.28
- Testing charges	-	2.44
- Price revision on inputs	<b>1.60</b>	-
- Packing materials	<b>36.93</b>	-
- Purchase of raw material	<b>0.37</b>	-
- Repairs & maintenance	<b>0.18</b>	-
- Electricity charges	<b>0.16</b>	-
- Other expenses	<b>0.07</b>	-
b) Changes in accounting policies		
Work trolleys till March 31, 2010 were capitalised on acquisition and depreciation was claimed. From this year onwards cost of acquisition of work trolleys are charged off. This change has no material impact on profit.		
<b>ACCOUNTING STANDARD (6) - Depreciation accounting</b>		
Depreciation has been provided under straight line method in respect of all assets at the rates prescribed under schedule XIV of the Companies Act, 1956 and on <i>pro-rata</i> basis on assets acquired / sold during the year. Depreciation in respect		

**Schedules - (Continued)**

	<b>As at/year ended 31.03.2011</b>	Rs. in Lakhs As at/year ended 31.03.2010
<b>XIX NOTES ON ACCOUNTS-contd.,</b>		
<p>of computers and vehicles has been provided at 30% and 18% respectively which is higher than the rate prescribed in schedule XIV of the Companies Act, 1956.</p> <p>Until the year ended 31<sup>st</sup> March, 2002, moulds were depreciated by applying rates fixed under schedule XIV of the Companies Act, 1956. This method is continued for moulds acquired before 31<sup>st</sup> March, 2002 and put to use. In respect of moulds acquired on and after 1<sup>st</sup> April, 2002 and put to use, depreciation is charged based on quantity of seat cushions manufactured.</p> <p>Until the year ended 31<sup>st</sup> March, 2002, tools and fixtures were depreciated by applying rates fixed under schedule XIV of the Companies Act, 1956. This method is continued for tools and fixtures acquired before 31<sup>st</sup> March, 2002 and put to use. In respect of tools and fixtures acquired on and after 1<sup>st</sup> April, 2002 and put to use, depreciation is charged at 25%.</p> <p>Depreciation in respect of assets acquired during the year whose actual cost does not exceed Rs.5,000/- has been provided at 100%.</p> <p>During the year accelerated depreciation provided on moulds used for slow moving items.</p>		
<b>ACCOUNTING STANDARD (7) - Construction contracts</b>	<b>Not applicable</b>	Not applicable
<b>ACCOUNTING STANDARD (8) - R &amp; D</b>		
This standard is deleted from 1 <sup>st</sup> April, 2003		
<b>ACCOUNTING STANDARD (9) - Revenue recognition</b>		
<p>The income of the Company is derived from manufacture and sale of seating systems for automotive and non automotive application and other parts and accessories for automotive and non automotive application.</p> <p>Indigenous sales are recognised based on raising of invoices and delivery of goods thereof to the carrier.</p> <p>Export sales are recognised on the basis of date of let export certificate and includes realised exchange fluctuations on exports (Gain - Rs.22.18 lakhs).</p> <p>The revenue and expenditure are accounted on a going concern basis.</p> <p>Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.</p> <p>Income from services is recognised on rendering of services and as per terms of agreement.</p>		

**Schedules - (Continued)**

	<b>As at/year ended 31.03.2011</b>	Rs. in Lakhs As at/year ended 31.03.2010
<b>XIX NOTES ON ACCOUNTS-contd.,</b>		
<b>ACCOUNTING STANDARD (10) - Accounting for fixed assets</b>		
Fixed assets are stated at cost including expenditure incurred in bringing them to usable condition less depreciation.		
<b>ACCOUNTING STANDARD (11) - Effects of changes in foreign exchange rates</b>		
Purchase of imported raw materials, components, spares and capital goods are accounted based on retirement memos from banks. In respect of liabilities on import of raw materials, components, spare parts and capital goods which are in transit and where invoices / bills are yet to be received, the liability is accounted based on the advance copies of documents at the market exchange rate prevailing on the date of the Balance Sheet.		
Net exchange difference debited to Profit and loss account.	<b>25.70</b>	51.68
<b>External commercial borrowings for acquisition of an asset</b>		
The amendment to Accounting Standard -11 introduced by Government of India permitting fluctuation in exchange rates in relation to acquisition of capital assets to be added to or deducted from the carrying cost of such assets is not applicable as the Company did not have any external commercial borrowings for acquisition of any asset.		
The Company has not entered into any transaction in derivative instruments and hence reporting on currency swapping / interest rate structure does not arise.		
<b>ACCOUNTING STANDARD (12) - Accounting for Government grants</b>		
No grant has been received during the year.		
<b>ACCOUNTING STANDARD (13) - Accounting for Investments</b>		
Investments are valued at cost. Provision for diminution in the carrying cost of investments is made, if such diminution is other than temporary in nature in the opinion of the management. (Refer Schedule VII of the Balance Sheet)		

**Schedules - (Continued)**

	<b>As at/year ended 31.03.2011</b>	Rs. in Lakhs As at/year ended 31.03.2010	
<b>XIX NOTES ON ACCOUNTS-contd.,</b>			
<b>ACCOUNTING STANDARD (14) - Accounting for amalgamation</b>	<b>Not applicable</b>	Not applicable	
<b>ACCOUNTING STANDARD (15) - Employee benefits</b>			
<b>A Defined contribution plan</b>			
a) Contributions to provident fund is in the nature of defined contribution plan and are made to provident fund maintained by Government.			
<b>B Defined benefit plan</b>			
a) The Company extends defined benefit plans in the form of leave salary to employees. In addition, the Company also extends pension to senior managers. Provision for leave salary and pension is made on actuarial valuation basis.			
b) The Company also extends defined benefit plan in the form of gratuity to employees. Contribution to gratuity is made to Life Insurance Corporation of India in accordance with the scheme framed by the corporation.			
		<b>As at/year ended 31.03.2011</b>	
<b>C. Disclosure as required by Accounting Standard 15</b>			
	<b>Leave Salary</b>	<b>Pension</b>	<b>Gratuity</b>
a) Expenses recognised in the profit and loss account			
(i) Current service cost	7.38	-	18.07
(ii) Interest cost	2.51	11.56	16.40
(iii) Expected return on plan assets	-	-	(18.03)
(iv) Net actuarial loss / (gain) recognised in the year	(9.58)	75.40	(37.74)
Total	0.31	86.96	(21.30)
b) Change in defined benefit obligation during the year ended 31 <sup>st</sup> March 2011			
(i) Present total value of obligation as at beginning of the year (01-04-2010)	38.28	195.78	205.10
(ii) Interest cost	2.51	11.56	16.41
(iii) Current service cost	7.38	-	18.07
(iv) Benefits paid	(14.02)	(104.56)	(44.05)
(v) Actuarial loss on obligation	(9.58)	75.40	(37.74)
(vi) Present value of obligation as at the end of the year (31-03-2011)	24.57	178.18	157.79

**Schedules - (Continued)**

**XIX NOTES ON ACCOUNTS-contd.,**

	Rs. in Lakhs		
	<b>As at/year ended 31.03.2011</b>		
<b>C. Disclosure as required by Accounting Standard 15 (continued)</b>			
	<b>Leave Salary</b>	<b>Pension</b>	<b>Gratuity</b>
c) Change in fair value of plan assets during the year ended 31 <sup>st</sup> March 2011			
(i) Fair value of plan assets at the beginning of the year (01-04-2010)	-	-	211.54
(ii) Expected return on plan assets	-	-	18.03
(iii) Contribution made during the year	-	-	-
(iv) Benefits paid	-	-	(44.05)
(v) Actuarial gain on plan assets	-	-	-
(vi) Fair value of plan assets as at the end of the year (31.03.2011)	-	-	185.52
(d) Balance Sheet movements			
(i) Value of benefit obligations/(net assets) at the beginning of the year (01-04-2010)	38.28	195.78	-
(ii) Contribution made during the year	-	-	-
(iii) Expenses	0.31	86.96	(21.30)
(vi) Benefits paid	(14.02)	(104.56)	(44.05)
(v) value of benefit	24.57	178.18	(21.30)
Note: The net asset in respect of gratuity plan is not recognised as it is lying in irrevocable trust fund approved by income tax authorities			
(e) Actuarial assumptions			
(i) Discount rate used	8.00%	8.00%	8.00%
(ii) Expected return on plan assets	Not applicable	Not applicable	8.00%
	<b>As at/year ended 31.03.2011</b>	As at/year ended 31.03.2010	

**ACCOUNTING STANDARD (16) - Borrowing costs**

During the year the Company has not incurred any borrowing costs within the meaning of Accounting Standards issued by The Institute of Chartered Accountants of India.

**Schedules - (Continued)**

**XIX NOTES ON ACCOUNTS-contd.,**

	<b>As at/year ended 31.03.2011</b>	<b>Rs. in Lakhs As at/year ended 31.03.2010</b>
<b>ACCOUNTING STANDARD (17) - Segment reporting</b>		
The operations of the entity relate to manufacture of seating system for automotive & non automotive applications, and other parts and accessories for automotive and non automotive applications. The income from sale of other parts and accessories being individually less than ten percent of total revenue, no separate disclosure is made.		
<b>ACCOUNTING STANDARD (18) - Related party disclosures</b>		
<b>A) List of related parties as per clause 3(a) of the Standard where control exists.</b>		
<b>Reporting Entity</b>	: <b>Harita Seating Systems Limited, Chennai</b>	
<b>Subsidiary Company</b>	: Harita Fehrer Limited, Chennai 01.04.2010 to 31.03.2011	
<b>B) List of related parties as per clause 3(c) of the Standard</b>		
<b>Key Management Personnel</b>	: Mr.A.G.Giridharan Manager under the provisions of the Companies Act, 1956.	
<b>C) Particulars of transactions with related parties</b>		
(i) Purchases made		
Subsidiary company		
Harita Fehrer Limited, Chennai	<b>2,455.41</b>	278.08
(ii) Services availed		
Subsidiary company		
Harita Fehrer Limited, Chennai	-	139.71
(iii) Sale of Materials		
Subsidiary company		
Harita Fehrer Limited, Chennai	<b>407.72</b>	281.02
(iv) Services rendered		
Subsidiary company		
Harita Fehrer Limited, Chennai	<b>543.33</b>	943.90
(v) Amount outstanding as at Balance Sheet date		
a) Sundry Debtors		
Subsidiary company		
Harita Fehrer Limited, Chennai	-	452.49
b) Sundry Creditors		
Subsidiary company		
Harita Fehrer Limited, Chennai	<b>735.07</b>	-

**Schedules - (Continued)**

	<b>As at/year ended 31.03.2011</b>	Rs. in Lakhs As at/year ended 31.03.2010
<b>XIX NOTES ON ACCOUNTS-contd.,</b>		
<b>ACCOUNTING STANDARD (19) - Accounting for leases</b>	<b>Not applicable</b>	Not applicable
<b>ACCOUNTING STANDARD (20) - Earnings per share</b>		
Disclosure is made in the Profit & Loss Account as per the requirement of the standard.		
<b>ACCOUNTING STANDARD (21) - Consolidated financial statement</b>		
Consolidated financial statements of the Company and its subsidiary is enclosed.		
<b>ACCOUNTING STANDARD (22) - Accounting for taxes on income</b>		
Current tax is determined as the amount of tax payable in respect of taxable income for the period. Deferred tax liability and asset are recognised based on timing difference.		
1 Deferred tax liability consists of:		
- tax on Depreciation	<b>1,042.62</b>	893.97
- tax on expenses claimed on payment basis under Income tax Act, 1961	<b>257.18</b>	174.33
<b>(A)</b>	<b><u>1,299.80</u></b>	<u>1,068.30</u>
2 Deferred tax asset consists of:		
- tax on provision in respect of expenditure which will be allowed under the Income tax Act, 1961 only on payment basis	<b>1,051.83</b>	746.22
<b>(B)</b>	<b><u>1,051.83</u></b>	<u>746.22</u>
Deferred tax liability (net of deferred tax asset) (A)-(B) (refer Balance Sheet)	<b>247.97</b>	322.08
3 In view of loss, provision for taxation has not been made during the year		
<b>ACCOUNTING STANDARD (23) - Accounting for investments in associates in consolidated financial statements</b>	<b>Not applicable</b>	Not applicable
<b>ACCOUNTING STANDARD (24) - Discontinuing operations</b>		
During the year the Company discontinued the operations at Bengaluru. The closure does not affect the earning generating capacity.		

**Schedules - (Continued)**

	<b>As at/year ended</b>	Rs. in Lakhs
	<b>31.03.2011</b>	As at/year ended
		31.03.2010

**XIX NOTES ON ACCOUNTS-contd.,**

**ACCOUNTING STANDARD (25) - Interim financial reporting**

The Company has elected to publish quarterly financial results which were subject to limited review by the statutory auditors.

**ACCOUNTING STANDARD (26) - Intangible assets**

During the year the Company acquired the following assets falling under the definition of intangible assets as per the Accounting Standard and the following disclosure is made in respect of those assets.

Software

- Useful life of the asset	2 years	2 years
- Amortisation rates used	50% each year as depreciation	50% each year as depreciation
- Gross carrying amount at the beginning and at the end of the period		
Opening balance	<b>110.86</b>	123.55
Addition during the year	<b>1.56</b>	0.82
Total	<b>112.42</b>	124.37
Sale during the year	-	13.51
Net Total	<b>112.42</b>	110.86
Amortised as depreciation	<b>110.90</b>	103.83
Closing balance	<b>1.52</b>	7.03

**ACCOUNTING STANDARD (27) - Financial reporting of interest in joint venture**

Harita Fehrer Limited, Chennai (HFRL) the subsidiary company made the final allotment of 30,14,676 equity shares of face value of Rs.10/- each for cash at a price of Rs.51.78 per share (including a premium of Rs.41.78 per share) aggregating to Rs.15.61 crores on 14<sup>th</sup> February 2011, to the Joint Venture Partner, viz., M/s. F.S. Fehrer Automotive GmbH, Germany (Fehrer), by virtue of the memorandum of understanding dated 28.05.2009. Subsequent to the allotment, the shareholding pattern between the Company and Fehrer is in the ratio of 51:49



**Schedules - (Continued)**

	<b>As at/year ended 31.03.2011</b>	Rs. in Lakhs As at/year ended 31.03.2010
<b>XIX NOTES ON ACCOUNTS-contd.,</b>		
<b>ACCOUNTING STANDARD (28) - Impairment of assets</b>		
As on the balance sheet date the carrying amounts of the assets net of accumulated depreciation is not less than the recoverable amount of those assets. Hence there is no impairment loss on the assets of the Company for the year. (Previous year : Rs.54.88 lakhs)		
<b>ACCOUNTING STANDARD (29) - Provisions, contingent liabilities and contingent assets</b>		
<b>1. Provisions</b>		
In respect of warranty obligations provision is made in accordance with terms of sale of seat assemblies. (Refer schedule no. XIV of the Balance Sheet)		
<b>2. Contingent liabilities</b>		
The amount for which the company is contingently liable are disclosed in Note No. 2.		
<b>3. Contingent assets</b>		
Contingent assets which are likely to give rise to the possibility of inflow of economic benefits.		
	<b>Nil</b>	<b>Nil</b>
<b>4. Contested liabilities</b>		
Contested liabilities are detailed in Note No.3.		
<b>2. Contingent liabilities not provided for</b>		
a. On counter guarantee furnished to bank	<b>327.15</b>	517.23
b. On account of bill discounting	<b>93.70</b>	64.80
c. Customs duty under EPCG scheme	<b>189.13</b>	189.13
<b>3. Liability contested and not provided for</b>		
a) Income tax	<b>44.77</b>	0.98
b) Service tax	<b>228.51</b>	11.30
c) Central Excise	<b>238.00</b>	199.81
d) Value Added tax	<b>100.35</b>	120.73
<b>4. Deposit includes deposit with Central Excise</b>	<b>5.18</b>	0.91

**Schedules - (Continued)**

	<b>As at/year ended 31.03.2011</b>	Rs. in Lakhs As at/year ended 31.03.2010
<b>XIX NOTES ON ACCOUNTS-contd.,</b>		
<b>5. Sundry creditors include</b>		
a) Dues to small scale industrial undertakings.	<b>577.03</b>	434.95
b) Dues of creditors other than small scale industrial undertaking.	<b>3,584.48</b>	3,893.28
<b>c) Information required under the Micro, Small and Medium Enterprises Development Act, 2006</b>		
The Company has written to all suppliers to ascertain if they are covered by the said Act. No information has been received in reply.		
However, the suppliers' credit terms are generally 45 days within which all payments are made. Hence, the question of payment of interest or provision thereof for belated payments does not arise.		
<b>6. Other expenses include</b>		
a) Reimbursement of expenses to auditors	<b>3.42</b>	4.50
b) Legal & retainer fees	<b>221.59</b>	279.17
c) Carriage outwards	<b>724.33</b>	503.34
d) Warranty claims	<b>35.71</b>	299.47
e) Commission	<b>116.88</b>	151.85
f) Cash discount	<b>53.07</b>	28.40
<b>7. Miscellaneous income under other income includes</b>		
a) Packing cost recoveries	<b>1.25</b>	0.37
b) Tool cost recovered	<b>357.30</b>	-
<b>8. Cash &amp; bank balances include</b>		
a) Cheques on hand	<b>5.84</b>	33.52
b) Unpaid dividend account	<b>8.45</b>	9.98
<b>9. Expenses, wherever applicable are inclusive of service tax at appropriate rates and net of service tax set off permissible.</b>		
<b>10. Research &amp; Development - Revenue expenditure</b>		
a) Salary	<b>263.64</b>	254.16
b) Testing charges	<b>21.60</b>	20.60
c) Design development charges	<b>0.97</b>	2.69
d) Consumables, labour charges (Net)	<b>46.80</b>	18.88
e) Travel expenses	<b>11.21</b>	12.04

**Schedules - (Continued)**

Rs. in Lakhs

**As at/year ended**      **As at/year ended**

**31.03.2011**                      **31.03.2010**

**XIX NOTES ON ACCOUNTS-contd.,**

**11. Research & Development - Capital Expenditure**

Plant and machinery **6.95** 0.82

**12. Managerial remuneration includes**

a) Salary & Allowances **35.56** 35.86

b) Contribution to provident and other funds **1.34** 1.49

**13. Disclosures made in terms of clause 32 of the Listing Agreement with Stock Exchanges**

Particulars		Name of the Company	Amount outstanding as on 31.03.2011	Maximum amount due at any one time during the year	Amount outstanding as on 31.03.2010
a)	Loans and advances	Harita Fehrer Limited, Chennai (Formerly Harita Polymer Limited)	Nil	Nil	Nil
i)	Loans and advances in the nature of loans made to subsidiary company.				
ii)	Loans and advances in the nature of loans made to associate company.				
iii)	Loans and advances in the nature of loans where there is 1) no repayment schedule or repayment beyond seven years (or) 2) no interest or rate of interest lower than the limit specified in Section 372A of the Companies Act, 1956.				
iv)	Loans and advances in the nature of loans made to firms / companies in which directors of the Company are interested.				
b)	Investments by the Company in subsidiary company.		2,759.00		2,759.00

**14.** Previous year's figures have been regrouped wherever necessary to conform to this year's classification.

## HARITA SEATING SYSTEMS LIMITED

### Schedules - (Continued)

15. Information pursuant to the provisions of Part II of Schedule VI of the Companies Act, 1956 (Vide Notification dated 30<sup>th</sup> October 1973 of the Ministry of Corporate Affairs, Government of India).

Rs. in Lakhs

#### I RAW MATERIALS CONSUMED

A. Basic raw materials	Unit	Year ended 31.03.2011		Year ended 31.03.2010	
		Quantity	Value	Quantity	Value
Subsequent to transfer of foaming business to subsidiary company viz., Harita Fehrer Limited, Chennai no individual raw material account for more than 10% of total raw material & components consumed.			<b>18,036.74</b>		16,426.22
			<b>18,036.74</b>		<b>16,426.22</b>

#### B. Consumption of raw materials and components

	% of total consumption	Value	% of total consumption	Value
a) Imported	4.17	752.09	5.71	937.55
b) Indigenous	95.83	17,284.65	94.29	15,488.67
	<b>100.00</b>	<b>18,036.74</b>	<b>100.00</b>	<b>16,426.22</b>

#### C. Consumption of machinery spares

	% of total consumption	Value	% of total consumption	Value
a) Imported	2.07	1.07	5.07	11.13
b) Indigenous	97.93	50.72	94.93	208.59
	<b>100.00</b>	<b>51.79</b>	<b>100.00</b>	<b>219.72</b>

The Board of Directors have given their consent to avail exemption from disclosing quantitative details of raw materials and components, opening and closing stock of finished goods and sale by class of goods constituting less than 10% of the total value in line with notification no SO 301(E) dated 8<sup>th</sup> February 2011 issued by the Ministry of Corporate Affairs.

	Year ended 31.03.2011	Rs. in Lakhs Year ended 31.03.2010
<b>II IMPORTS - CIF VALUE</b>		
a) Raw materials & components	<b>751.59</b>	762.40
b) Capital goods	<b>68.53</b>	928.07
c) Spares	<b>68.00</b>	11.13

## HARITA SEATING SYSTEMS LIMITED

### Schedules - (Continued)

	Year ended 31.03.2011	Rs. in Lakhs Year ended 31.03.2010		
<b>III OTHER EXPENDITURE IN FOREIGN CURRENCY</b>				
a) Travel	10.65	9.55		
b) Consultancy fee	112.08	116.71		
c) Others	11.89	303.52		
<b>IV EARNINGS IN FOREIGN EXCHANGE</b>				
Exports - F.O.B	2147.17	1117.25		
<b>V PAYMENT TO NON-RESIDENT SHAREHOLDERS</b>				
a) No. of non-resident shareholders	1	1		
b) No. of shares held by non-residents	10,87,600	10,87,600		
c) Dividend	-	-		
		Rs. in Lakhs		
<b>VI SALE BY CLASS OF GOODS</b>	<b>Year ended 31.03.2011</b>	<b>Year ended 31.03.2010</b>		
	<b>Quantity (Nos.)</b>	<b>Value</b>	<b>Quantity (Nos.)</b>	<b>Value</b>
Seat for automotive application	978,107	22300.81	2,902,058	21,361.90
Other		203.19		994.45
		<u>22504.00</u>		<u>22,356.35</u>

Note : Two Wheeler Seats, Long Fibre Injection, Micro Cellular Urethane business has been transferred to Harita Fehrer Limited, Chennai from 22<sup>nd</sup> January, 2010.

### VII LICENSED AND INSTALLED CAPACITY

Information is not furnished in view of abolition of industrial licensing requirements for the products manufactured by the company

**Schedules - (Continued)**

**VIII OPENING AND CLOSING STOCK OF GOODS PRODUCED**

	Rs. in Lakhs			
	Year ended 31.03.2011		Year ended 31.03.2010	
	Quantity (Nos.)	Value	Quantity (Nos.)	Value
<b>a. Seats for automotive application</b>				
Opening stock	2,890	144.01	14,216	132.51
Add: Production meant for sale	9,79,752		28,90,732	
Total	<u>9,82,642</u>		<u>29,04,948</u>	
Less: Closing stock	4,535	257.15	2,890	144.01
Sales	<u>9,78,107</u>		<u>29,02,058</u>	

**b. Spares**

Quantitative details are not furnished as the income from sales is individually less than ten percent of total income.

H LAKSHMANAN  
Chairman

C N PRASAD  
Director

A G GIRIDHARAN  
President cum Manager

As per our report annexed  
For SUNDARAM & SRINIVASAN  
Chartered Accountants  
FRN: 004207S

Chennai  
3<sup>rd</sup> August, 2011

N ISWARYA LAKSHMI  
Company Secretary

M. BALASUBRAMANIAM  
Partner  
Membership No.F7945

**Cash flow statement for the year ended 31<sup>st</sup> March, 2011**

	<b>Year ended 31.03.2011</b>	<b>Rs. in Lakhs Year ended 31.03.2010</b>
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before tax and extra ordinary items	<b>(584.10)</b>	(100.40)
Add: Depreciation	<b>431.66</b>	883.52
Depreciation on assets sold	<b>(187.88)</b>	(1,331.08)
Income tax relating to earlier years	<b>(1.20)</b>	8.39
Interest income	<b>(2.49)</b>	(592.01)
Interest expenditure	<b>734.97</b>	1,296.45
Operating profit before working capital changes	<b>390.96</b>	164.87
Adjustments for: Interest accrued	<b>(0.29)</b>	(0.36)
Inventory	<b>(34.26)</b>	109.30
Trade receivables	<b>506.75</b>	402.24
Loans and advances	<b>(267.70)</b>	(141.70)
Other current assets	<b>(0.79)</b>	(82.97)
Trade payables and provisions	<b>(227.44)</b>	3,428.06
	<b>(23.73)</b>	3,714.57
Net cash from operating activities - (A)	<b>367.23</b>	3,879.44
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	<b>(544.78)</b>	(2,839.47)
Sale of fixed assets	<b>353.48</b>	6,581.80
Purchase of investments	<b>(98.99)</b>	(2,755.47)
Sale of investments	<b>135.65</b>	26.56
Interest received	<b>2.49</b>	592.01
Net cash used in investing activities - (B)	<b>(152.15)</b>	1,605.43
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Secured loans	<b>45.21</b>	(5,786.36)
Unsecured loans	<b>421.49</b>	1,008.60
Interest paid	<b>(734.97)</b>	(1,296.45)
Net cash from financing activities - (C)	<b>(268.27)</b>	(6,074.21)
<b>D. NET INCREASE IN CASH AND CASH EQUIVALENTS (A)+(B)+(C)</b>	<b>(53.19)</b>	(589.34)
Cash and cash equivalents at the beginning of the year	<b>403.70</b>	993.04
Cash and cash equivalents at the end of the year	<b>350.51</b>	403.70

Note: 1) The above statement has been prepared in indirect method except in case of interest, direct tax and purchase and sale of investments, which have been considered on the basis of actual movement of cash.

2) Cash and cash equivalent represent cash and bank balances.

<p>H LAKSHMANAN Chairman</p>	<p>C N PRASAD Director</p>	<p>A G GIRIDHARAN President cum Manager</p>	<p>As per our report annexed For SUNDARAM &amp; SRINIVASAN Chartered Accountants FRN: 004207S</p>
<p>Chennai 3<sup>rd</sup> August, 2011</p>	<p>N ISWARYA LAKSHMI Company Secretary</p>	<p>M. BALASUBRAMANIAM Partner Membership No.F7945</p>	

# HARITA SEATING SYSTEMS LIMITED

## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE VIDE NOTIFICATION DATED 15<sup>th</sup> MAY 1995 ISSUED BY THE MINISTRY OF CORPORATE AFFAIRS

### I REGISTRATION DETAILS

Registration no.    -      Date:   .  .

CIN

Balance sheet date:         State code:

Date                      Month                      Year

### II CAPITAL RAISED DURING THE YEAR (Rs.in thousand)

Public issue:      Rights issue:

Bonus issue:      Private Placement:

### III POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Rs.in thousand)

Total liabilities:       Total assets:

#### Source of Funds

Paid up capital       Reserves & surplus

Secured loans       Unsecured loans

Deferred tax

#### Application of funds

Net fixed assets       Investments

Net current assets       Misc.expenses

Accumulated loss

### IV PERFORMANCE OF THE COMPANY (Rs. in thousand)

Turnover        Total expenditure

(includes other income)

Loss before tax       Loss after tax

Earnings per share (Rs.) (   .   ) Dividend rate

### V GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF COMPANY (as per monetary terms)

Item code no.

Product description

- 1 D E L U X E   S E A T I N G   S Y S T E M   F O R  
T R A N S P O R T   V E H I C L E S
- 2 S E A T S   F O R   T R A C T O R S
- 3 S E A T S   F O R   C A R S



**Statement pursuant to Section 212 of the Companies Act, 1956 relating to subsidiary**

Sl No	Particulars	Subsidiary Company (Harita Fehrer Limited, Chennai)
(1)	(2)	(3)
1.	Financial year of the subsidiary	01.04.2010 to 31.03.2011
2.	Shares of the subsidiary held by the Company on the above date (a) Number and face value (b) Extent of holding	102,50,000 Equity share of Rs.10 each fully paid up  51%
3.	Net aggregate amount of profit / (loss) of the subsidiary for the above financial year of the subsidiary not dealt with the Company's account (a) for the financial year of the subsidiary - profit / (loss) (b) for the previous financial years since it became a subsidiary - profit / (loss)	 Rs. 211.78 lakhs  Rs. (449.78) lakhs
4.	Net aggregate amount of profit / (loss) of the subsidiary for the above financial year of the subsidiary dealt with in the Company's account (a) for the financial year of the subsidiary - profit / (loss) (b) for the previous financial years since it became a subsidiary - profit / (loss)	 -  -

H LAKSHMANAN  
Chairman

C N PRASAD  
Director

A G GIRIDHARAN  
President cum Manager

Chennai  
3<sup>rd</sup> August, 2011

N ISWARYA LAKSHMI  
Company Secretary

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**CONSOLIDATED ACCOUNTS OF  
HARITA SEATING SYSTEMS LIMITED AND  
ITS SUBSIDIARY**

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**AUDITORS' REPORT ON CONSOLIDATED ACCOUNTS**

We have audited the attached consolidated Balance Sheet of Harita Seating Systems Limited, Chennai and its subsidiary viz., Harita Fehrer Limited, Chennai, as at 31<sup>st</sup> March 2011, and also the related profit and loss account and the cash flow statement for the year ended on that date, both annexed hereto.

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We did not audit the financial statements of the subsidiary, namely Harita Fehrer Limited, Chennai. The financial statements and other information of the said subsidiary have been audited by other auditor whose report has been furnished to us and our opinion, in so far it relates to the amounts included in respect of the subsidiary, is based solely on the report of the other auditor.

We conducted our audit in accordance with generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain a reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amount and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management,

as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 on "Consolidated Financial Statements" issued by The Institute of Chartered Accountants of India, on the basis of the individual financial statements of Harita Seating Systems Limited, Chennai and its subsidiary, namely, Harita Fehrer Limited included in the aforesaid consolidation.

In our opinion and based on our audit, the consolidated financial statements referred to above give a true and fair view of the financial position of the Harita Seating systems Limited, Chennai and its subsidiary named above as at 31<sup>st</sup> March, 2011 and of the results of their operations and their cash flows for the year ended in conformity with the generally accepted accounting principles in India.

For SUNDARAM & SRINIVASAN  
CHARTERED ACCOUNTANTS  
FRN: 004207S

Chennai  
3<sup>rd</sup> August, 2011

M BALASUBRAMANIAM  
Partner  
Membership No.F7945

# CONSOLIDATED ACCOUNTS OF HARITA SEATING SYSTEMS LIMITED AND ITS SUBSIDIARY

## Balance Sheet as at 31<sup>st</sup> March, 2011

	Schedule No.		As at 31.03.2011		Rs. in Lakhs As at 31.03.2010
<b>I SOURCES OF FUNDS</b>					
<b>1. Shareholders' funds</b>					
a. Capital	I	776.90		776.90	
b. Reserves and surplus	II	3,681.53	4,458.43	4,136.97	4,913.87
<b>2. Minority Interest</b>					
	XIX		5,423.91		3,699.13
<b>3. Loan Funds</b>					
a. Secured loans	III	5,065.09		3,348.62	
b. Unsecured loans	IV	2,495.14	7,560.23	2,073.65	5,422.27
<b>4. Deferred tax liability</b> (Net of deferred tax asset)					
			31.96		125.86
Total			<u>17,474.53</u>		<u>14,161.13</u>
<b>II APPLICATION OF FUNDS</b>					
<b>1. Fixed assets</b>					
Gross block	V	19,084.14		17,970.66	
Less: depreciation		5,090.73		3,751.39	
Net block			13,993.41		14,219.27
Capital work-in-progress	VI		280.95		2.40
<b>2. Investments</b>					
	VII		268.10		229.76
<b>3. Current assets, loans and advances</b>					
a. Interest accrued on deposits		1.26		0.98	
b. Inventories	VIII	2,582.71		1,410.41	
c. Sundry debtors	IX	9,190.29		7,147.41	
d. Cash and bank balances	X	2,046.61		640.15	
e. Other current assets	XI	245.05		184.90	
f. Loans and advances	XII	2,781.64		1,916.40	
Total (A)			<u>16,847.56</u>		<u>11,300.25</u>
<b>Less: Current liabilities and provisions</b>					
a. Current liabilities	XIII	13,467.78		11,056.99	
b. Provisions	XIV	447.87		533.79	
Total (B)			<u>13,915.65</u>		<u>11,590.78</u>
Net Current Assets (A) - (B)			2,931.91		(290.53)
<b>4. Miscellaneous Expenditure</b> (to the extent not written off or adjusted)					
			0.16		0.23
Total			<u>17,474.53</u>		<u>14,161.13</u>
Notes on Accounts	XX				

H LAKSHMANAN      C N PRASAD      A G GIRIDHARAN  
Chairman              Director              President cum Manager

As per our report annexed  
For SUNDARAM & SRINIVASAN  
Chartered Accountants  
FRN: 004207S

Chennai  
3<sup>rd</sup> August, 2011

N ISWARYA LAKSHMI  
Company Secretary

M. BALASUBRAMANIYAM  
Partner  
Membership No.F7945

## CONSOLIDATED ACCOUNTS OF HARITA SEATING SYSTEMS LIMITED AND ITS SUBSIDIARY

### Profit and Loss Account for the year ended 31<sup>st</sup> March, 2011

	Schedule No.	Year ended 31.03.2011	Rs. in Lakhs Year ended 31.03.2010
Sales - Gross		<b>48,513.12</b>	33,339.20
Less: Excise duty		<b>4,484.95</b>	2,485.19
Net sales		<b>44,028.17</b>	30,854.01
Other Income	XV	<b>833.19</b>	221.32
Total Revenue	(A)	<b>44,861.36</b>	31,075.33
Raw materials and components consumed	XVI	<b>33,330.61</b>	22,902.28
Salaries, wages, stores consumed and other expenses	XVII	<b>9,401.47</b>	6,770.22
Total Expenditure	(B)	<b>42,732.08</b>	29,672.50
Profit before interest, depreciation and tax (A) - (B)		<b>2,129.28</b>	1,402.83
Interest	XVIII	<b>937.71</b>	1,293.66
Depreciation		<b>1,528.06</b>	1,581.20
Miscellaneous expenditure written off		<b>0.07</b>	0.07
Profit / (loss) before tax		<b>(336.56)</b>	(1,472.10)
Provision for taxation - Income tax		<b>47.79</b>	13.00
- Deferred tax (credit) / debit		<b>(93.90)</b>	(318.43)
Profit / (loss) for the year after tax		<b>(290.45)</b>	(1,166.67)
Tax relating to earlier years		<b>1.20</b>	(8.39)
Total		<b>(291.65)</b>	(1,158.28)
Minority Interest		<b>87.11</b>	(179.91)
Balance carried forward to balance sheet		<b>(378.76)</b>	(978.37)
Total		<b>(291.65)</b>	(1,158.28)
No. of Equity Shares		<b>7,769,040</b>	7,769,040
Nominal value of equity shares - Rs.		<b>10.00</b>	10.00
Basic & Diluted Earnings Per Share		<b>(4.86)</b>	(12.70)

Notes on Accounts XX

H LAKSHMANAN Chairman	C N PRASAD Director	A G GIRIDHARAN President cum Manager	As per our report annexed For SUNDARAM & SRINIVASAN Chartered Accountants FRN: 004207S
Chennai 3 <sup>rd</sup> August, 2011		N ISWARYA LAKSHMI Company Secretary	M. BALASUBRAMANIAM Partner Membership No.F7945

## CONSOLIDATED ACCOUNTS OF HARITA SEATING SYSTEMS LIMITED AND ITS SUBSIDIARY

### Schedules

	<b>As at 31.03.2011</b>	<b>Rs. in Lakhs As at 31.03.2010</b>
<b>I. SHARE CAPITAL</b>		
Authorised Capital	<b>1,000.00</b>	1,000.00
Issued, subscribed and paid up capital 77,69,040 Equity shares of Rs.10/- each fully paid up	<b>776.90</b>	776.90
Total	<b>776.90</b>	776.90
<b>II. RESERVES &amp; SURPLUS</b>		
a. State subsidy	<b>15.00</b>	15.00
b. Share premium	<b>2,982.88</b>	3,059.56
c. General Reserve		
As per last balance sheet	1,052.41	2,030.78
Less: Debit Balance in profit and loss account	<u>378.76</u>	<u>978.37</u>
	<b>673.65</b>	1,052.41
d. Capital redemption reserve	<b>10.00</b>	10.00
Total	<b>3,681.53</b>	4,136.97
<b>III. SECURED LOANS</b>		
From banks		
a. Secured by a first charge on specified fixed assets of the Company	<b>1,672.98</b>	453.65
b. Secured by equitable mortgage of land and buildings at Vellanthalgal village, Thandalam Group and at Bommasandra Industrial Layout, Bengaluru and first charge on specific fixed assets and current assets on <i>pari passu</i> basis with existing term lenders	<b>1,871.98</b>	2,723.96
c. Secured by hypothecation of raw materials, work-in-process, finished goods and book debts	<b>1,520.13</b>	171.01
Total	<b>5,065.09</b>	3,348.62
<b>IV. UNSECURED LOANS</b>		
a. From bank - short term	<b>550.11</b>	406.75
b. From Others - long term	<b>1,945.03</b>	166.90
- short term	-	1,500.00
Total	<b>2,495.14</b>	2,073.65

## Schedules - (continued)

## V. FIXED ASSETS

Rs. in Lakhs

Description	Total											As at 31.3.2010		
	Land	Lease hold land	Buildings	Plant & machinery	Vehicles	Office equipment	Software	Moulds	Furniture & fittings	Canteen Equipment	Non Com- pete fee		As at 31.3.2011	
<b>Cost of the assets</b>														
As at 01-04-2010	1,653.48	38.98	4,080.73	9,823.16	98.11	656.85	111.33	770.19	154.17	33.66	550.00	17,970.66	11,494.96	
Additions/Transfer Adjustments	453.62	-	180.79	1,358.18	5.34	60.50	23.38	85.99	21.39	0.10	-	2,189.29	13,057.50	
	2,107.10	38.98	4,261.52	11,181.34	103.45	717.35	134.71	856.18	175.56	33.76	550.00	20,159.95	24,552.46	
Sale / deletions / Transfer Adjustments	117.77	-	116.31	728.53	4.89	6.48	-	95.57	6.26	-	-	1,075.81	6,581.80	
Gross Block - Total	1,989.33	38.98	4,145.21	10,452.81	98.56	710.87	134.71	760.61	169.30	33.76	550.00	19,084.14	17,970.66	
<b>Depreciation / Amortisation</b>														
Upto 31-03-2010	-	6.12	405.08	2,152.84	29.69	435.51	104.04	281.24	43.73	18.14	275.00	3,751.39	3,501.27	
For the year	-	0.41	140.95	951.04	16.16	45.07	11.35	75.07	10.34	2.67	275.00	1,528.06	1,581.20	
	-	6.53	546.03	3,103.88	45.85	480.58	115.39	356.31	54.07	20.81	550.00	5,279.45	5,082.47	
Withdrawn on assets sold/deleted	-	-	-	168.72	0.38	0.78	-	18.58	0.26	-	-	188.72	1,331.08	
Accumulated depreciation - Total	-	6.53	546.03	2,935.16	45.47	479.80	115.39	337.73	53.81	20.81	550.00	5,090.73	3,751.39	
<b>Written down value</b>														
As at 31-03-2011	1,989.33	32.45	3,599.18	7,517.65	53.09	231.07	19.32	422.88	115.49	12.95	-	13,993.41	14,219.27	
As at 31-03-2010	1,653.48	32.86	3,675.65	7,670.32	68.42	221.34	7.29	488.95	110.44	15.52	275.00			

As at  
31.03.2011As at  
31.03.2010

## VI. CAPITAL WORK-IN-PROGRESS: (AT COST)

- a. Building  
b. Machinery

219.64

2.00

61.31

0.40

280.95

2.40

Total

## CONSOLIDATED ACCOUNTS OF HARITA SEATING SYSTEMS LIMITED AND ITS SUBSIDIARY

### Schedules - (continued)

#### VII INVESTMENTS - LONG TERM

##### A. Non-trade-quoted

		Rs. in lakhs				
(a)	(b)	Cost As at 1 <sup>st</sup> April, 2010 (c)	Additions during the year (d)	Sales/ realisation during the year (e)	Cost As at 31 <sup>st</sup> March, 2011 (f)=(c)+(d)-(e)	Market value As at 31 <sup>st</sup> March, 2011
<b>a. L&amp;T Mutual Fund, Mumbai</b>						
(formerly DBS Cholamandalam Asset Management)						
1	3,06,590.379 units in Small cap-fund Cumulative *	8.06	-	-	8.06	15.08
2	4,13,746.147 units in Hedged Equity fund Cumulative *	30.41	-	30.41	-	-
<b>Total (a)</b>		<b>38.47</b>	<b>-</b>	<b>30.41</b>	<b>8.06</b>	<b>15.08</b>
<b>b. Birla Sun Life Mutual Fund, Chennai</b>						
6,34,146.341 Units in BSL International Equity Plan - B Growth *						
		33.82	-	33.82	-	-
<b>Total (b)</b>		<b>33.82</b>	<b>-</b>	<b>33.82</b>	<b>-</b>	<b>-</b>
<b>c. HDFC Standard Life Insurance, Mumbai</b>						
2,22,510.9166 units in HDFC Group Unit Linked Plan Balanced Managed Fund						
		157.47	0.96	71.42	87.01	120.22
<b>Total (c)</b>		<b>157.47</b>	<b>0.96</b>	<b>71.42</b>	<b>87.01</b>	<b>120.22</b>
<b>Total (A) = (a)+(b)+(c)</b>		<b>229.76</b>	<b>0.96</b>	<b>135.65</b>	<b>95.07</b>	<b>135.30</b>

(Aggregate market value of all investments Rs.135.30 lakhs - Last year Rs.329.99 lakhs)

\* Cost net of diminution as applicable.

##### B. Non-trade-unquoted

###### a. Life Insurance Corporation of India, Chennai

Group Annuity Policy	-	98.03	-	98.03	-
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###### b. TVS Wind Energy Limited, Chennai

Share application money	-	75.00	-	75.00	-
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<b>Total (B)</b>	<b>-</b>	<b>173.03</b>	<b>-</b>	<b>173.03</b>	<b>-</b>
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<b>Total (C) = (A)+(B)</b>	<b>229.76</b>	<b>173.99</b>	<b>135.65</b>	<b>268.10</b>	<b>-</b>
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## CONSOLIDATED ACCOUNTS OF HARITA SEATING SYSTEMS LIMITED AND ITS SUBSIDIARY

### Schedules - (continued)

	As at 31.03.2011	Rs. in Lakhs As at 31.03.2010
<b>VIII. INVENTORIES (at lower of cost or net realisable value)</b>		
a. Raw materials and components*	1,075.58	681.70
b. Work-in-process*	234.11	276.16
c. Finished goods*	459.53	322.89
d. Finished goods- Moulds *	611.75	-
e. Stores*	201.74	121.48
f. Goods in bond	-	8.18
Total	2,582.71	1,410.41
* As certified by a director		
<b>IX. DEBTORS</b>		
a. Debts outstanding for a period exceeding six months		
- Unsecured considered good	1,162.76	844.03
- Unsecured considered doubtful	394.70	504.84
	1,557.46	1,348.87
Less: Provision for doubtful debts	394.70	504.84
	1,162.76	844.03
b. Other debts		
- Unsecured considered good	8,027.53	6,303.38
- Unsecured considered doubtful	1.10	-
	8,028.63	6,303.38
Less: Provision for doubtful debts	1.10	-
	8,027.53	6,303.38
Total	9,190.29	7,147.41
<b>X. CASH AND BANK BALANCES</b>		
a. Cash on hand	16.29	39.27
b. With scheduled banks		
- Current accounts	927.53	598.09
- Deposit accounts	1,102.79	2.79
Total	2,046.61	640.15
<b>XI. OTHER CURRENT ASSETS</b>		
a. Prepaid expenses	80.13	96.71
b. Income tax deducted at source	164.92	88.19
Total	245.05	184.90
<b>XII. LOANS &amp; ADVANCES - unsecured considered good</b>		
a. Advances recoverable in cash or kind or for value to be received	2,677.22	1,836.31
b. Deposits	104.42	80.09
Total	2,781.64	1,916.40
<b>XIII. CURRENT LIABILITIES</b>		
a. Sundry creditors	13,459.33	11,047.00
b. Unpaid dividend	8.45	9.99
Total	13,467.78	11,056.99

## CONSOLIDATED ACCOUNTS OF HARITA SEATING SYSTEMS LIMITED AND ITS SUBSIDIARY

### Schedules - (continued)

	<b>As at/ year ended 31.03.2011</b>	Rs. in Lakhs As at/ year ended 31.03.2010
<b>XIV. PROVISIONS</b>		
a. Taxation - Income tax	32.31	161.81
b. Warranty	53.42	66.03
c. Leave pay	33.96	39.02
d. Pension	178.18	195.78
e. Others	150.00	71.15
Total	447.87	533.79
<b>XV. OTHER INCOME</b>		
a. Scrap sales	340.75	159.38
b. Profit on sale of assets	0.65	-
c. Profit on sale of investments	90.55	24.32
d. Miscellaneous income	401.24	37.62
Total	833.19	221.32
<b>XVI. RAW MATERIALS AND COMPONENTS CONSUMED</b>		
<b>A. OPENING STOCK</b>		
Raw materials	681.70	499.96
Work-in-process	276.16	136.08
Finished goods	322.89	132.51
	1,280.75	768.55
<b>B. Purchase of raw materials and components</b>	<b>34,430.83</b>	<b>23,414.48</b>
Total (A)	35,711.58	24,183.03
<b>C. CLOSING STOCK</b>		
Raw materials	1,075.58	681.70
Work-in-process	234.11	276.16
Finished goods	459.53	322.89
Finished goods - Moulds	611.75	-
Total (B)	2,380.97	1,280.75
Consumption (A) - (B)	33,330.61	22,902.28

## CONSOLIDATED ACCOUNTS OF HARITA SEATING SYSTEMS LIMITED AND ITS SUBSIDIARY

### Schedules - (continued)

	Year ended 31.03.2011	Rs. in Lakhs Year ended 31.03.2010
<b>XVII. SALARIES, WAGES, STORES CONSUMED AND OTHER EXPENSES</b>		
a. Salaries, wages and bonus* #	3,305.14	2,054.54
b. Contribution to provident and other funds * #	129.06	157.59
c. Staff welfare expenses *	587.82	352.55
d. Stores and tools consumed	1,132.85	463.30
e. Power and fuel *	717.56	475.60
f. Rent *	95.57	39.76
g. Rates and taxes *	88.67	85.42
h. Repairs and maintenance *		
- Building	126.04	114.62
- Machinery	513.35	470.36
- Other assets	116.64	132.33
i. Audit fees - as auditors	10.00	10.00
- tax audit	1.50	1.50
- certification	1.00	1.00
- others	1.05	-
j. Directors' sitting fees	1.13	1.18
k. Insurance	69.19	78.51
l. Other expenses * (see note no 6)	2,502.92	2,329.23
m. Excise duty paid on samples	1.22	1.89
n. Loss on sale of assets	0.76	0.84
( * Net of recoveries)		
(# includes to manager) (vide note 12 )		
Total	9,401.47	6,770.22
<b>XVIII. INTEREST</b>		
a. On fixed loans	490.69	863.33
b. On other loans	463.70	433.42
Sub-total	954.39	1,296.75
c. Less : Interest Income on advances and deposits (Gross) (TDS - Rs.1.56 lakhs, last year Rs.0.25 lakhs)	16.68	3.09
Total	937.71	1,293.66
<b>XIX. MINORITY INTEREST</b>		
Share capital	984.80	683.34
Share premium	4,531.91	3,195.70
Total	5,516.71	3,879.04
Less: Loss for the year 2009-10	(179.91)	(179.91)
Profit for the year 2010-11	87.11	-
Total	(92.80)	(179.91)
Total	5,423.91	3,699.13

**Schedules - (continued)**

**XX. NOTES ON ACCOUNTS**

**1. Consolidation of accounts**

**A. Basis of accounting**

The financial statements are prepared under the historical cost convention and comply with the applicable accounting standards issued by The Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

**B. Principles of consolidation**

- (i) Consolidated financial statements relate to M/s. Harita Seating Systems Limited, Chennai and its subsidiary viz., Harita Fehrer Limited, Chennai.
- (ii) Consolidated financial statements have been prepared on the following basis:
  - the financial statements of the Company and its subsidiary have been prepared on a line by line consolidation by adding the book values of the like items of assets and liabilities as per the respective audited financial statements of the respective companies.
  - the consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the manner as the Company's individual financial statements.
  - Intra - group transactions and resulting unrealised profits have been eliminated.
- (iii) The details of subsidiary company considered in the consolidated financial statements are furnished below:

a	Name of the subsidiary company	M/s. Harita Fehrer Limited, Chennai
b	Country of incorporation	India
c	Proportion of ownership(interest / voting power - in %)	51%
d	Reporting date	31.03.2011
e	Difference in reporting date	Nil

**C. Significant Accounting Policies - on consolidation:**

Accounting Standards 1 to 29 (wherever applicable) issued by the Institute of Chartered Accountants of India have been duly considered while preparing the accounts of each Company and the same have been explained in detail in the notes on accounts of the respective companies. These may be referred to. The statements made therein form part of the consolidated accounts.

**2. Contingent liabilities not provided for**

	<b>As at/Year ended 31.03.2011</b>	Rs. in Lakhs As at/Year ended 31.03.2010
a. On counter guarantee furnished to bank	<b>1,627.15</b>	517.23
b. On account of bill discounting	<b>93.70</b>	64.80
c. Customs duty under EPCG scheme	<b>189.13</b>	189.13
d. On account of Import LC	<b>45.76</b>	-
e. VAT Input credit claimed beyond the prescribed period as per Section 19(7) of the Tamil Nadu VAT Act 2006	<b>7.95</b>	-

**Schedules - (continued)**

	<b>As at/Year ended 31.03.2011</b>	Rs. in Lakhs As at/Year ended 31.03.2010
<b>3. Liability contested and not provided for</b>		
a) Income tax	44.77	0.98
b) Service tax	228.51	11.30
c) Central Excise	238.00	199.81
d) Value Added tax	100.35	120.73
<b>4. Deposit includes deposit with Central Excise</b>	<b>7.49</b>	<b>2.78</b>
<b>5. Sundry creditors include</b>		
a) Dues to small scale industrial undertakings	1,043.73	516.54
b) Dues of creditors other than small scale industrial undertaking	9,093.25	8,194.61
c) Information required under the Micro, Small and Medium Enterprises Development Act, 2006: The Company has written to all suppliers to ascertain if they are covered by the said Act. No information has been received in reply. However, the suppliers' credit terms are generally 45 days within which all payments are made. Hence, the question of payment of interest or provision thereof for belated payments does not arise.		
<b>6. Other expenses include</b>		
a) Reimbursement of expenses to auditors	6.71	5.93
b) Legal & retainer fees	360.59	279.17
c) Carriage outwards	983.51	503.34
d) Warranty claims	35.71	299.47
e) Commission	116.88	151.85
f) Cash discount	53.07	28.40
g) Royalty	23.22	11.17
<b>7. Miscellaneous income under other income includes</b>		
a) Packing cost recoveries	1.25	0.37
b) Excess provision written back	7.56	-
c) Tool cost recovered	357.30	-
d) Exchange fluctuation	34.51	-
<b>8. Cash &amp; bank balances include</b>		
a) Cheques on hand	5.84	33.52
b) Unpaid dividend account	8.45	9.98
<b>9. Expenses, wherever applicable are inclusive of service tax at appropriate rates and net of service tax set off permissible.</b>		

## CONSOLIDATED ACCOUNTS OF HARITA SEATING SYSTEMS LIMITED AND ITS SUBSIDIARY

### Schedules - (continued)

	As at/Year ended 31.03.2011	Rs. in Lakhs As at/Year ended 31.03.2010
<b>10. Research &amp; Development - Revenue expenditure</b>		
a) Salary	263.64	254.16
b) Testing charges	21.60	20.60
c) Design development charges	0.97	2.69
d) Consumables, Labour charges (Net)	46.80	18.88
e) Travel expenses	11.21	12.04
<b>11. Research &amp; Development - Capital expenditure</b>		
Plant and machinery	6.95	0.82
<b>12. Managerial remuneration includes</b>		
a) Salary & Allowances	35.56	35.86
b) Contribution to provident and other funds	1.34	1.49

### 13. Related party disclosure

#### LIST OF RELATED PARTIES

- a) Key Management Personnel
- For Harita Seating Systems Limited, Chennai : Mr. A.G. Giridharan - President cum Manager
- For Harita Fehrer Limited, Chennai : Mr. Rajesh Oommen - Manager
- b) Fellow associates : F.S. Fehrer Automotive GmbH, Germany

#### Related party transactions

Rs. in Lakhs

Nature of transaction	For the Year ended 31.03.2011	For the Year ended 31.03.2010
<b>F.S. Fehrer Automotive GmbH</b>		
Equity contribution received during the year	1,560.99	6,938.60
Receivables	8.99	908.61
Purchases	178.26	-
Rendering of services	6.79	-

14. Previous year's figures have been regrouped wherever necessary to conform to this year's classification.

### Disclosure of Information relating to M/s. Harita Fehrer Limited, Chennai as required by the Central Government under Section 212 (8) of the Companies Act, 1956

(Rs. in lakhs)		
S. No.	Particulars	Amount
(a)	Capital	2,009.80
(b)	Reserves	9,248.79
(c)	Total assets	12,929.85
(d)	Total liabilities	12,929.85
(e)	Details of investment	75.00

(Rs. in lakhs)		
S. No.	Particulars	Amount
(f)	Turnover including other income	24,667.30
(g)	Profit before taxation	239.78
(h)	Provision for taxation	28.00
(i)	Profit after taxation	211.78

**Consolidated Cash Flow Statement for the year ended 31<sup>st</sup> March, 2011**

	Year ended 31.03.2011		Rs. in lakhs Year ended 31.03.2010
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit before tax and extra ordinary items	<b>(336.56)</b>		(1,472.10)
<b>Add:</b> Depreciation	<b>1,528.06</b>	1,581.20	
Depreciation on assets sold	<b>(188.72)</b>	(1,331.08)	
Income-tax relating to earlier years	<b>(1.20)</b>	8.39	
Interest income	<b>(16.68)</b>	(3.09)	
Preliminary expenses	<b>0.07</b>	0.07	
Interest expenditure	<b>954.39</b>	1,296.75	1,552.24
<b>Operating profit before working capital changes</b>	<b>1,939.36</b>		80.14
<b>Adjustments for:</b> Interest accrued	<b>(0.28)</b>	(0.36)	
Inventory	<b>(1,172.30)</b>	(495.54)	
Trade receivables	<b>(2,042.88)</b>	(1,132.99)	
Loans & advances	<b>(865.24)</b>	(330.70)	
Other current assets	<b>(60.15)</b>	(106.15)	
Trade payables and provisions	<b>2,277.08</b>	7,207.48	5,141.74
<b>Net cash from operating activities (A)</b>	<b>75.59</b>		5,221.88
<b>B CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of fixed assets	<b>(1,751.74)</b>	(13,053.70)	
Sale of fixed assets	<b>359.71</b>	6,581.80	
Purchase of investments	<b>(173.99)</b>	-	
Sale of investments	<b>135.65</b>	25.09	
Interest received	<b>16.68</b>	3.09	
<b>Net cash used in investing activities (B)</b>	<b>(1,413.69)</b>		(6,443.72)
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>			
Secured Loans Availed	<b>1,716.47</b>	(5,786.36)	
Unsecured Loans	<b>421.49</b>	1,008.60	
Interest paid	<b>(954.39)</b>	(1,296.75)	
Proceeds from issue of shares	<b>1,560.99</b>	6,938.60	864.09
<b>Net cash from financing activities (C)</b>	<b>2,744.56</b>		864.09
<b>D. NET INCREASE IN CASH AND CASH EQUIVALENTS (A)+(B)+(C)</b>	<b>1,406.46</b>		(357.75)
<b>Cash and cash equivalents at the beginning of the year</b>	<b>640.15</b>		997.90
<b>Cash and cash equivalents at the end of the year</b>	<b>2,046.61</b>		640.15

**Notes:** 1) The above statement has been prepared in indirect method except in case of interest, direct tax and purchase and sale of investments which have been considered on the basis of actual movement of cash.  
 2) Cash and cash equivalents represents cash and bank balances.

H LAKSHMANAN Chairman	C N PRASAD Director	A G GIRIDHARAN President cum Manager	As per our report annexed For SUNDARAM & SRINIVASAN Chartered Accountants FRN: 004207S
Chennai 3 <sup>rd</sup> August, 2011		N ISWARYA LAKSHMI Company Secretary	M. BALASUBRAMANIYAM Partner Membership No.F7945

## Harita Seating Systems Limited

Regd. Office: "Jayalakshmi Estates", No.29, Haddows Road, Chennai 600 006

### ADMISSION SLIP

Please hand over this admission slip at the entrance of meeting hall

NAME AND ADDRESS OF THE SHAREHOLDER	NO. OF SHARES HELD
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Client ID	Folio No.

(Strike off whichever is not applicable)

NAME OF THE PROXY (IN CAPITAL LETTERS)
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<p><b>15<sup>th</sup> ANNUAL GENERAL MEETING</b>  <b>19<sup>th</sup> September, 2011 at 10.15 A.M.</b></p> <p>Mini Hall of Narada Gana Sabha Trust          No.314 (Old No.254), TTK Road,          Alwarpet, Chennai - 600 018</p>
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<input type="checkbox"/> Member	<input type="checkbox"/> Proxy
---------------------------------	--------------------------------

I hereby record my presence at the meeting.

Signature of Member / Proxy

### PROXY FORM

## Harita Seating Systems Limited

Regd. Office: "Jayalakshmi Estates", No.29, Haddows Road, Chennai 600 006

I/We .....of  
 ..... in the district  
 of ..... being a Member/Members of Harita Seating  
 Systems Limited hereby appoint .....of ..... in the district of  
 ..... or failing him  
 ..... of ..... in the district of  
 ..... as my / our Proxy to attend  
 and vote for me / us and on my / our behalf at the 15<sup>th</sup> Annual General Meeting of the Company to be held  
 on Monday, the 19<sup>th</sup> day of September, 2011 at 10.15 A.M. and at any adjournment thereof.

Signed this ..... day of ..... 2011.

Client ID	Folio No.

(Strike off whichever is not applicable)

Proxy form must reach Company's registered office not later than 48 hours before the commencement of the meeting.
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Revenue Stamp
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FOR OFFICE USE ONLY	
Proxy No.	Date of Receipt

Signature



