

### Board of Directors

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

### President - New projects

S Thiagarajan

### President

A G Giridharan

### Secretary & Compliance Officer

S Srinivasan

### 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. 23, Sir C.P. Ramaswamy Road,  
Alwarpet, Chennai 600 018.

### Shares listed with

Madras Stock Exchange Ltd.  
Bangalore Stock Exchange Ltd.  
National Stock Exchange of (India) Ltd.

### Share Transfer Agent

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

### Registered Office

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

### Works

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

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

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

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

### Web site :

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

### Subsidiary Company

Harita Polymer Limited

Contents	Page No.
Financial highlights	2
Notice to the shareholders	3
Directors' report to the shareholders	11
Report on corporate governance	20
Auditors' report to the shareholders	36
Balance sheet	40
Profit and loss account	41
Schedules	42
Notes on accounts	48
Cash flow statement	61
General business profile	63
Statement under section 212	64
Auditors' report on consolidated accounts	65
Consolidated accounts	66
Harita Polymer Ltd (Subsidiary)	82

<b>Financial Highlights</b>							
(Rupees in lakhs)							
Year ended	2003	2004	2005	2006	2007	2008	<b>2009</b>
<b>Profit &amp; Loss Account</b>							
Sales	7873.25	9202.06	11798.82	13736.82	15547.33	19104.87	<b>19,625.18</b>
Other income	48.71	90.81	117.93	143.80	149.41	271.76	<b>200.31</b>
Total income	7921.96	9292.87	11916.75	13880.62	15696.74	19376.63	<b>19,825.49</b>
<b>Gross profit before</b>							
Interest, depreciation & tax	730.09	894.03	987.92	1292.85	1363.01	1772.58	<b>334.09</b>
Depreciation	174.99	212.76	269.39	315.28	386.34	532.93	<b>696.92</b>
Profit / (Loss) before Interest & tax	555.10	681.27	718.53	977.57	976.67	1239.65	<b>(362.83)</b>
Interest	10.11	0.35	0.28	31.78	75.75	286.90	<b>428.10</b>
Profit / (Loss) before taxation	544.99	680.92	718.25	945.79	900.92	952.75	<b>(790.93)</b>
Profit / (Loss) after taxation	341.80	437.69	451.78	638.79	583.92	641.25	<b>(892.09)</b>
<b>Balance Sheet</b>							
Net fixed assets	1329.35	1564.07	1878.80	2337.96	4380.64	5546.86	<b>7,999.88</b>
Investment	0.06	661.12	367.96	407.87	350.00	437.38	<b>259.85</b>
Net Current Assets	924.23	305.29	598.89	1420.19	1866.44	725.77	<b>5,217.27</b>
Total	2253.64	2530.48	2845.65	4166.02	6597.08	6710.01	<b>13,477.00</b>
Share Capital	388.45	388.45	388.45	388.45	388.45	776.90	<b>776.90</b>
Reserves & Surplus	1464.20	1767.96	2082.72	2522.17	2902.57	2930.94	<b>2,055.78</b>
Net Worth	1852.65	2156.41	2471.17	2910.62	3291.02	3707.84	<b>2,832.68</b>
Loan Funds	265.25	240.10	220.04	1091.96	3125.62	2639.73	<b>10,200.03</b>
Deferred tax liability	135.74	133.97	154.44	163.44	180.44	362.44	<b>444.29</b>
Total	2253.64	2530.48	2845.65	4166.02	6597.08	6710.01	<b>13,477.00</b>
<b>Earnings per share (Rs.)</b>							
Earnings per share (Rs.)	8.80	11.20	11.75	16.44	15.03	•8.25	<b>(11.48)</b>
Dividend per share (Rs.)	2.50	3.00	3.20	4.50	4.50	2.50	–
Book value per share (Rs.)	47.69	55.51	63.62	74.93	84.72	47.73	<b>36.46</b>
Return on capital employed % (ROCE)*	27.80	30.40	28.40	25.80	18.70	19.40	<b>(2.69)</b>
Return on net worth % (RONW) **	19.70	21.80	19.50	23.70	18.80	18.30	<b>(27.28)</b>
Fixed asset turnover (No. of times) #	6.29	6.36	6.85	6.52	4.63	3.85	<b>2.90</b>
Working capital turnover (No. of times)@	7.91	14.97	26.10	13.61	9.46	14.74	<b>6.60</b>
Gross profit as % of total income	9.20	9.60	8.30	9.30	8.70	9.10	<b>1.70</b>
Profit / (Loss) before tax as % of total income	6.90	7.30	6.00	6.80	5.70	4.90	<b>(4.00)</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 by average net fixed assets as at the end of the year.

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

• Adjusted for bonus issue.

### Notice to the shareholders

NOTICE is hereby given that the Thirteenth annual general meeting of the shareholders of the Company will be held at Mini Hall of Narada Gana Sabha at No.314 (Old No.254) TTK Road, Chennai 600 018 on Monday, the 7<sup>th</sup> September 2009 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 2009 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. Martin Grammer, 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, Messrs. Sundaram & Srinivasan, Chartered Accountants, Chennai be and are hereby re-appointed as auditors of the Company to hold office from the conclusion of this 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, in partial modification of the resolution passed by the shareholders of the Company at the annual general meeting held on 7<sup>th</sup> August, 2008, subject to the provisions of sections 386 and 388 read with section II of Part II of the Schedule XIII and other applicable provisions of the Companies Act, 1956, (the Act) the Company may pay the remuneration including salary, perquisites and other

allowances/benefits upto Rs.48 lakhs per annum as minimum remuneration payable to Mr S Thiagarajan, as manager of the Company, proportionately for the period commencing from 1<sup>st</sup> April 2008 to 10<sup>th</sup> November 2009 with an authority to the board of directors or any committee thereof (the board), to decide the quantum of remuneration payable under each head as agreed to between the board and Mr S Thiagarajan, when the Company has, during any financial year, no profits or the profits of the Company are inadequate during the currency of his tenure mentioned hereinabove."

"RESOLVED FURTHER THAT any excess remuneration drawn by or paid to him over and above the ceiling limit prescribed under sub-section 1(B) of section II of Part II of Schedule XIII of the Act, due to any change in the "effective capital" of the Company during any financial year, calculated in accordance with the Explanation I to section II of Part II of the Schedule XIII of the Act shall be refunded by him and for this purpose, the Company shall effect recovery from the month following the month in which the annual accounts disclosing the loss or inadequacy of profits are approved by the board in its meeting held pursuant to section 217 of the Act."

"RESOLVED FURTHER THAT all other terms and conditions of appointment of Mr S Thiagarajan as manager for the purpose of the Act as approved by the shareholders of the Company at the annual general meeting of the Company held on 7<sup>th</sup> August, 2008 shall remain unchanged."

"RESOLVED FURTHER THAT any one of the directors of the Company or the company secretary of the Company be and is hereby authorized to do all necessary acts, deeds and things, which may be usual, expedient or proper to give effect to the above resolutions."

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

"RESOLVED THAT, subject to the provisions of section 269 read with sections 386,387 and 388 and Schedule XIII of the Companies Act, 1956 (the Act) and such other applicable provisions, if any of the Act, Mr. A G Giridharan, President be and is hereby appointed as manager, for the purpose of the Act for a period of 3 years commencing

from 11<sup>th</sup> November 2009, on such terms and conditions of his appointment and remuneration, as per the agreement entered into between him and the Company, a copy of which is placed before this meeting and initialled by the chairman for the purpose of identification thereof, with the powers of the board of directors of the Company (the board) to determine the quantum of individual items of his remuneration, payable at such intervals, within the overall limits, for each financial year so as not to exceed 5% of the net profits of the Company, calculated in accordance with the provisions of section 349 and 350 of the Act notwithstanding his holding the office of manager in M/s. Sundaram Auto Components Limited, drawing no remuneration therefrom, be and are hereby approved."

"RESOLVED FURTHER THAT the remuneration within the aforesaid limits, payable to Mr. A G Giridharan, President as manager under the Act, for a period of three years from 11<sup>th</sup> November 2009, subject to the condition that the board, from time to time, may determine the quantum of individual items of his remuneration for each financial year not exceeding the maximum limits specified in each category as follows, be and is hereby approved."

(1) Salary and commission on profits or performance linked incentive or bonus:

Subject to a ceiling of Rs.24 lakhs per annum

(2) Perquisites and allowances:

Perquisites like unfurnished accommodation / house rent allowance, conveyance allowance, medical reimbursement, leave travel assistance for self and family, club fees, medical / personal accident insurance premia and other benefits or amenities, in aggregate restricted to a sum not exceeding Rs.24 lakhs per annum; and

Provision of telephone at residence including payment of local calls and long distance calls shall not be included in the computation of perquisites for the purpose of calculation of the said ceiling.

Personal long distance calls on telephone for private purposes shall be recovered by the Company.

(3) Contribution to statutory funds:

Company's contribution to provident fund not exceeding 12% of the salary or such

other percentage of the salary as may be fixed by the Central Government from time to time; and Gratuity as per the rules of the Company.

Company's contribution to provident and gratuity funds, shall not be included for computation of limits of perquisites and allowances as aforesaid.

(4) Pension benefits:

Entitled to pension, if any, payable after retirement, as per the rules of the Company

"RESOLVED FURTHER THAT the salary, commission on profits or performance linked incentive, perquisites and other allowances/benefits, contributions payable at such quantum and such intervals, as may be decided by the board, from time to time, for each financial year, in aggregate, shall always be well within the limits prescribed under section 387 read with Schedule XIII of the Act."

"RESOLVED FURTHER THAT pursuant to section II of Part II of Schedule XIII of the Act and other applicable provisions of the Act, in the event of loss or inadequacy of profits in any financial year, the board, may revise the remuneration payable to Mr. A G Giridharan, President, as manager during such financial year in such manner, as may be agreed to between the board and Mr. A G Giridharan, President within the limits prescribed in this behalf or the Company may pay the remuneration exceeding the limits as set out in section II of Part II Schedule XIII of the Act, subject to such approvals, if required under the Act, including the approval of the Central Government during any financial year during the currency of his tenure mentioned hereinabove."

"RESOLVED FURTHER THAT Mr. A G Giridharan, President as manager of the Company, shall be subject to the superintendence, control and directions of the board and he shall have all such powers, duties and responsibilities in terms of the provisions of the Act and that may be vested in him by the board, from time to time."

By order of the Board

Chennai  
27<sup>th</sup> July 2009

S. Srinivasan  
Secretary

Registered office:  
"Jayalakshmi Estates"  
29, 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 or authority shall be deposited at the registered office of the Company not later than 48 hours before the time fixed for holding the meeting.**

2. The explanatory statement, pursuant to section 173(2) of the Companies Act, 1956 in respect of the special business nos.4 and 5 as set out above, is annexed hereto.

3. The register of members and the share transfer books of the Company will remain closed from Thursday, the 3<sup>rd</sup> September 2009 to Monday, the 7<sup>th</sup> September 2009 (both days inclusive).

4. In terms of Section 205A read with Section 205C of the Companies Act, 1956, the dividends declared by the Company which remain unclaimed for a period of seven years will be transferred to the Investors Education and Protection Fund (IEPF) established by the Central Government on the due dates. The particulars of due dates for transfer of such unclaimed dividends to IEPF are furnished in the report on corporate governance forming part of the annual report.

Members, who have not encashed their dividend warrants, are requested to make their claims by surrendering the unencashed warrants immediately to the Company.

5. Members holding shares in physical form, in their own interest, are requested to dematerialise the shares to avail the benefits of electronic holding / trading.

6. Members are requested to notify to the Company immediately any change in their address. Members holding shares in depository are requested to advise change of address to their depository participants.

7. As a measure of economy, copies of the annual report will not be distributed at the annual general meeting. Members are, therefore, requested to bring their copies of the annual report to the meeting.

8. Members are requested to affix their signature at the space provided on the attendance sheet annexed to 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 meeting, nature of his expertise in specific functional areas, his other directorships and committee memberships and his shareholdings and relationships with other directors in the Company are given below:

### Mr Martin Grammer

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

He has vast experience in international marketing and consultancy areas. He has served in internationally renowned companies which include Magna International Inc., Toronto, Canada, a leading supplier to the global automotive industry and Roland Berger & Partner, a leading international management consultant in Germany and Europe.

He held the position as managing director and member of Executive Committee Board of Grammer AG, Germany for ten years, a leading supplier to the global automotive industry. During 2003 - 2008, he served as a member of the board of directors of GHE S.p.A, Milano, Italy, a leading supplier of European bus and train interiors industry with manufacturing locations in Italy, Germany, Spain, UK, Czech Republic and Mexico.

He does not hold any position as a director in any Indian company or a member of any committee of directors of any other company and he is not related to any other directors of the Company.

He holds 10,87,600 equity shares of the Company.

## **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 businesses mentioned in the accompanying notice dated 27<sup>th</sup> July 2009 and shall be taken as forming part of the notice.

### **Item no. 4**

Mr S Thiagarajan, President of the Company was appointed as "Manager" for the purpose of the Companies Act 1956 (the Act) for a period of five years from 1<sup>st</sup> December 2007 in terms of the agreement entered into with him by the Company, subject to the approval of the shareholders of the Company in the annual general meeting of the Company.

The shareholders of the Company also approved the terms and conditions of his appointment and remuneration vide resolution passed at the annual general meeting of the Company held on 7<sup>th</sup> August 2008 with the overall limit of Rs.75 lakhs, *inter alia*, comprising of –

- (i) Salary and commission on profits or performance linked incentive or bonus, subject to a ceiling of Rs.50 lakhs per annum;
- (ii) Perquisites and allowances, i.e perquisites like unfurnished accommodation / house rent allowance, conveyance allowance, medical reimbursement, leave travel assistance for self and family, club fees, medical / personal accident insurance premia and other benefits or amenities, in aggregate restricted to a sum not exceeding Rs.25 lakhs per annum;

The shareholders of the Company also conferred powers upon the board to determine the quantum of individual items of his remuneration for each financial year, subject to a ceiling of 5% of the net profits of the Company, calculated in accordance with the provisions of section 349 and 350 of the Act.

Considering his contribution to the growth of the Company, the board has fixed a overall limit of Rs.58 lakhs and he was paid a remuneration of Rs.51.77 lakhs for the year ended 31<sup>st</sup> March 2009.

The Company incurred a loss for the first time during the year ended 31<sup>st</sup> March 2009, due to

- (a) severe increase in input costs, arising out of increase in prices of steel, crude and other chemicals, which could not be passed on to the customers;
- (b) general recession in the industry; and
- (c) sudden sharp drop in demand in the second half of the financial year 2008-2009.

Having regard to the fact that the loss brought about by external and uncontrollable factors and considering the level of remuneration package offered by the Company, in comparison with the prevailing levels in the corporate sector, the board considered the extent of remuneration permissible to protect the managerial remuneration for payment of maximum remuneration, by following the procedures laid down for payment of the minimum remuneration for the year 2008-2009 consequent to the loss suffered by the Company.

The board, accordingly, revised Mr S Thiagarajan's remuneration to Rs. 48 laksh per annum, payable proportionately for the period commencing from 1<sup>st</sup> April 2008 to 10<sup>th</sup> November 2009, based on the recommendation of the remuneration committee of directors, being the minimum remuneration payable to him in the event of inadequacy of profits or loss in any subsequent financial year, subject to the approval of the shareholders by way of a special resolution in terms of the applicable provisions of the Act.

This limit has been arrived at based on the "effective capital" of the Company as of 31<sup>st</sup> March 2009 in accordance with section II of Part II of Schedule XIII of the Act.

However, in the event of normal profits in any subsequent financial year, his terms of remuneration shall be governed by the resolution passed by the shareholders of the company at the annual general meeting held on 7<sup>th</sup> August, 2008.

The directors, therefore, recommend the resolution as set out in item no. 4 of the notice to be approved,



as a special resolution, by the shareholders of the Company.

This may be treated as an abstract of the variation of the terms of the agreement between the company and Mr S Thiagarajan, manager, pursuant to section 302 of the Act.

None of the directors is deemed to be interested or concerned in the resolution.

### Item no. 5

Mr S Thiagarajan, President of the Company, was appointed as "Manager" for the purpose of the Act for a period of five years from 1<sup>st</sup> December, 2007 in terms of the agreement entered into with him by the Company, which was also approved by the shareholders of the Company at the annual general meeting held on 7<sup>th</sup> August 2008.

Mr S Thiagarajan will be retiring from the services with effect from 10<sup>th</sup> November 2009 and hence, it is proposed to appoint Mr A G Giridharan, President as "Manager" for the purpose of the Act, on such remuneration as set out in detail in the resolution in item No.5 of the notice, for a period of three years from 11<sup>th</sup> November 2009 in terms of the agreement entered into with him by the Company, subject to the approval of the shareholders of the Company in the ensuing annual general meeting of the Company.

Mr A G Giridharan, President is also a manager of M/s. Sundaram Auto Components Limited, where he was appointed as a manager effective 1<sup>st</sup> April 2009 without remuneration. His appointment as manager of this Company is in compliance with the provisions

of section 386 of the Act, permitting him to hold such position in two companies.

The directors, therefore, recommend the resolution as set out in item no.5 of the notice to be approved as a special resolution, by the shareholders of the Company.

This may be treated as an abstract of the terms of the agreement between the Company and Mr A G Giridharan, manager, pursuant to section 302 of the Act.

None of the directors is deemed to be interested or concerned in the resolution.

Inspection of documents:

Copies of the resolutions passed by the remuneration committee of directors on 14<sup>th</sup> July 2009 and the board on 27<sup>th</sup> July 2009 and the agreement entered into between the Company and Mr S Thiagarajan and the agreement entered into between the Company and Mr. A G Giridharan are available for inspection at the registered office of the Company between 10.00 AM and 12.00 PM on all working days except Saturdays.

By order of the Board

Chennai  
27<sup>th</sup> July 2009

S. Srinivasan  
Secretary

Registered office:  
"Jayalakshmi Estates"  
29, Haddows Road,  
Chennai 600 006

**ANNEXURE FORMING PART OF THE EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION II (1)(B) OF PART II OF SCHEDULE XIII TO THE COMPANIES ACT, 1956**

I GENERAL INFORMATION					
1	Nature of Industry	Auto ancillary industry - The Company is engaged in the manufacture of seat and seating systems for automotive applications.			
2	Date of commencement of Business	Pursuant to the orders of Hon'ble High Court of Madras dt 26 <sup>th</sup> September, 1996 the business and assets and liabilities of erstwhile Harita Grammer Ltd and Roloforms Polymer Ltd. were taken over by the Company effective 2.5.1997.  Rs.in lakhs			
3	Financial Performance based on given indicators	Financial performance	2006 -2007	2007 -2008	2008 -2009
		Total Turnover	15696.74	19376.63	19825.49
		EBITDA	1363.01	1772.58	334.09
		Profit before tax	900.92	952.75	(790.93)
		Profit after tax	583.92	641.25	(892.09)
		Dividend paid (including Corporate dividend tax)	199.32	227.24	Nil
		Dividend rate	45%	25%	Nil
4	Export performance and net foreign exchange collaborations	Export performance	2006 -2007	2007 -2008	2008 -2009
		F.O.B value of exports.	842.23	1157.14	1262.29
5	Foreign Investments or Collaborators, if any.	Mr Martin Grammer, director, representing Grammer Group holds 14% of the paid up equity capital of the Company.			
II(A) INFORMATION ABOUT THE APPOINTEE					
1	Background details	Mr S Thiagarajan is an Engineering graduate and holds Post graduate diploma in business management from IIM-Ahmedabad. He has an impressive track record spanning over 18 years in the auto industry in various functions such as manufacturing, business administration, sales and marketing, finance, besides new projects implementation etc.He has also been serving the Company as its President since 27 <sup>th</sup> November 1995 (not as a Manager under the Companies Act, 1956).			
2	Past remuneration	Salary and commission on profits or performance linked incentive or bonus subject to a ceiling of Rs.50 lakhs per annum and perquisites and other allowances upto Rs.25 lakhs as approved by the shareholders of the Company in the annual general meeting held on 7 <sup>th</sup> August,2008, with a power to board to vary the individual quantum. However, he was paid a remuneration of Rs.18.83 lakhs for the period 1 <sup>st</sup> December 2007 to 31 <sup>st</sup> March 2008.			
3	Recognition or Awards	Nil			



4	Job profile and his suitability	As President, he is in charge of the overall management of the affairs of the Company and given his qualifications and experience, he is ideally suited to ensure the growth of the business and profitability of the Company.
5	Remuneration proposed	As in the resolution and explanatory statement attached to the notice calling the annual general meeting of the Company to be held on 7 <sup>th</sup> September 2009.
6	Comparative remuneration profile with respect to industry, size of the company	The proposed remuneration is in accordance with the industry standards and has been approved by the remuneration committee and by the board of directors of the Company.
7	Pecuniary relationship	Not applicable
<b>II(B) INFORMATION ABOUT THE APPOINTEE</b>		
1	Background details	Mr A G Giridharan is a B.Tech (Hons.) from IIT - Kharagpur and PGDM from IIM - Calcutta. He started his career in 1990 as Management Accountant in Hindustan Lever Limited. He had served for seven years in KPMG Consulting, as Associate Director and moved on to Greaves Cotton Limited in 2002, where he was the Business Head for Agri Equipment Division. Prior to joining Sundaram-Clayton Limited in 2007 as vice-president - business planning for Automotive Products Division, he had 17 years of industrial experience.
2	Past remuneration	Mr A G Giridharan is proposed to be appointed as the Manager of the Company for the purposes of the Companies Act, 1956 effective 11 <sup>th</sup> November 2009 after the retirement of Mr S Thiagarajan, the present manager of the Company, on 10 <sup>th</sup> November 2009
3	Recognition or Awards	Nil
4	Job profile and his suitability	As the President, he will be in charge of the overall management of the affairs of the Company and given his qualifications and experience, he would be ideally suited to ensure the growth of the business and improve the profitability of the Company.
5	Remuneration proposed	As contained in the special resolution in item no.5 of the notice dated 27 <sup>th</sup> July 2009.
6	Comparative remuneration profile with respect to industry, size of the company	The remuneration proposed is comparable with similar positions in the automotive industry for the given profile of the person and nature of responsibilities.
7	Pecuniary relationship	Nil
<b>III OTHER INFORMATION</b>		
1	Reasons of loss or inadequate profits	The Company incurred a loss for the first time during the year ended 31 <sup>st</sup> March 2009. The unprecedented increase in the prices of commodities especially crude and steel had an impact on the raw

		material prices, which could not be passed on to the customers of the Company. Consequently, the sudden drop in demand in the second half of the year had a negative impact on the profitability. As a result, the Company incurred a loss of Rs.7.91 cr in 2008-09 against a profit of Rs.9.52 cr in 2007-08.
2	Steps taken or proposed to be taken for improvement	The Company has taken various steps to improve its performance. These include containing the cost, acquisition and consolidation of new business, productivity improvement and value engineering technologies, special focus and participation in Government sponsored social sector program-JNNURM to expand the bus passenger segment. These are discussed in detail in the Management Discussion and Analysis Report, which forms part of the Directors' Report.
3	Expected increase in productivity and profits in measurable terms	In view of the proposed steps to improve the productivity and consequent increase in profits, it is expected that sales would improve and profit would also increase in the range of 2.5% in sales as a result of the aforesaid efforts. These are discussed in detail in the Management Discussion and Analysis Report, which forms part of the Directors' Report
IV DISCLOSURES		
1	The shareholders of the Company shall be informed of the remuneration package of the managerial remuneration	Yes. The information has been set out in detail in the resolution and explanatory statement annexed hereto.
2	The following disclosures shall be mentioned in the Board of Directors' Report under the heading 'Corporate Governance', if any, attached to the Annual Report.	<p>i. <i>All elements of remuneration package such as salary, benefits, bonuses, stock options, pension etc:</i> This has been fully covered under the Corporate Governance Report.</p> <p>ii. <i>Details of fixed component and performance linked incentives along with the performance criteria:</i> As given in the resolution, performance criteria is based on the net profits as provided under the Schedule XIII of the Companies Act 1956.</p> <p>iii. <i>Service contracts, notice period, severance fees.</i> Three months' notice period</p> <p>iv. <i>Stock option details, if any, and whether the same has been issued, at a discount as well as the period over which accrued and over which exercisable.</i> Not applicable.</p>

By order of the Board

Chennai  
27<sup>th</sup> July 2009

S. Srinivasan  
Secretary

Registered office:  
"Jayalakshmi Estates"  
29, Haddows Road, Chennai 600 006

## Directors' report to the shareholders

The directors herewith present the Thirteenth annual report of the Company and the audited accounts for the year ended 31<sup>st</sup> March 2009.

### 1. FINANCIAL HIGHLIGHTS

	Rs. in lakhs	
	<b>Year ended 31.3.2009</b>	Year ended 31.3.2008
Sales and other income	<b>19,825.49</b>	19,376.63
Gross profit before interest depreciation and tax	<b>334.09</b>	1,772.58
Interest	<b>428.10</b>	286.90
Depreciation	<b>696.92</b>	532.93
Profit / (Loss) before tax	<b>(790.93)</b>	952.75
Provision for taxation (including FBT and Deferred Tax)	<b>101.16</b>	311.50
Profit / (Loss) after tax	<b>(892.09)</b>	641.25
Add: Surplus brought forward	<b>230.94</b>	239.12
Profit / (Loss) available for appropriation	<b>(661.15)</b>	880.37
<b>Appropriations:</b>		
Tax relating to earlier years	<b>(16.63)</b>	(2.81)
Depreciation relating to earlier years	<b>(0.30)</b>	-
Proposed dividend	-	194.23
Tax on dividend	-	33.01
Transfer to general reserves	-	425.00
Surplus / (deficit) in profit and loss account	<b>(644.22)</b>	230.94

### 2. DIVIDEND

The board of directors of the Company has not recommended any dividend for the year ended 31<sup>st</sup> March 2009 in view of the loss incurred by the Company.

### 3. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The Company provides seating solutions for transport applications and has established a

leading position in the country catering to all segments of the automotive industry.

### INDUSTRY STRUCTURE AND DEVELOPMENTS

The year 2008-09 was an unprecedented one. The first half of the year exceeded expectations, but the global meltdown in second half of the year resulted in credit squeeze and affected the business confidence causing slowdown in the economic activity world-wide, and across industry segments.

The Indian economy was also not immune from this global turmoil and the GDP growth was estimated at 6% during 2008-09, lower than initial estimate of 7%. This growth was lower than the growth rates witnessed during the past three years which were in excess of 8.5%. While agricultural growth is estimated to be at 2.2%, growth in the industrial sector output is estimated at 2.8%, a significant drop from 8.1% for the comparable period last year. Service sector growth is also estimated lower at 8.8% compared to 10.9% registered in 2007-08.

The global financial crisis also resulted in slowdown of the automotive industry. Barring the domestic passenger vehicle and the two wheeler segment, all other segments of the Indian automotive industry registered a negative growth during 2008-09. The following table highlights the industry sales figures in vehicle units.

Category	2008-09 nos.	2007-08 nos.	Growth %
Medium and Heavy Commercial vehicles	200,406	296,675	-32%
Light Commercial vehicles	226,389	252,813	-10.5%
Cars & MUVs	1,887,619	1,768,283	6.7%
Tractors	329,940	346,501	-4.8%
Three wheelers	497,793	506,006	-1.6%
Two wheelers	8,441,844	8,068,991	4.6%

(Source: SIAM)

Against the backdrop of global uncertainty and slowdown, the Company achieved a sales and other income of Rs.198 cr during 2008-09 as against Rs.194 cr during 2007-08, registering a growth of 2.06%. The unprecedented increase in the prices of commodities especially crude and steel had a huge impact on the raw material prices, which could

not be passed on to the customers. The sudden drop in demand in the second half of the year had a negative impact on the profitability. As a result, the Company registered a loss of Rs. 7.91 cr in 2008-09 against a profit of Rs.9.52 cr registered in 2007-08.

### OPPORTUNITIES AND THREATS

A number of multinational companies have joined hands with Indian companies in forming joint ventures for manufacture of commercial vehicles. As a result, the Company expects the commercial vehicle market to grow in terms of high value high-end sophisticated vehicles with international standards to be launched in Indian market in the near future. Being an established leader in this segment, the Company expects to capitalize on these developments. Efforts have already been made to develop high-end seats for these applications.

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

Towards the end of 2008-09, the government offered a stimulus package by allocating funds to various state transport undertakings (STU's) budget under the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) scheme. Under this scheme extended to 61 cities, public sector transport undertakings will introduce low floor city buses and upgrade their existing fleet. This initiative is expected to open up additional opportunities for the Company in the city bus transport segment. Most of this business would be tender based and hence the Company would be making every effort to secure the business. The introduction of Volvo buses revolutionized the concept of safety and comfort in long distance traveling. This move has brought a new outlook among other leading bus manufacturers, who also started building high-end buses. This has provided the Company with greater opportunities in the high end bus segment.

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

The new polyurethane composite products developed and productionised by the Company offers wide variety and choice to the customers for various applications.

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

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

### PRODUCT-WISE PERFORMANCE

During 2008-09, the Company's sales grew by 2.06%. The slowdown in the commercial vehicle segment resulted in a drop of 26% in MHCV and drop of 6.8% in LCV driver seat sales. Barring these two, in all other segments the Company registered a growth in spite of the sudden downturn in the economy. Two wheeler seats grew by 18.8%, bus passenger seats by 14.6% and tractor seats by 9.6%. Exports sales also grew by 6.5%.

The Company's new technology products like long fibre injection moulded components and micro cellular urethane products for automotive applications have been well received. This business witnessed a growth of sales by 57.6% in 2008-09.

During the year 2008-09, the Company acquired Polyflex Group of companies. This acquisition includes Polyflex's manufacturing plants and its fabrication unit called Polyflex Engineering in Bangalore while the movable assets of Polyflex's Pune plant were taken over only in May 2009. The Chennai unit of Polyflex was taken over by Harita Polymer Limited (a wholly owned subsidiary of the Company). Through this acquisition, the Company and its subsidiary will have entry as Tier-2 polyurethane foam supplier to reputed customers like Hanil Lear, Tata Johnson Controls, Lear and

Toyota Boshoku. The foam pads supply will go into the cars of Hyundai, Tata Motors, Ford, Mahindra Renault and Toyota Kirloskar.

### Audit observation

As the assets were acquired from M/s. Polyflex (India) Private Limited, Bangalore and M/s. Polyflex Engineering (Private) Limited, Bangalore only on 30<sup>th</sup> March 2009, the process of updating the documents to synchronise with the Company's Enterprise Resource Planning (ERP) system viz., SAP could not be completed by the year end. The updation of fixed asset register and other synchronization will be completed soon and submitted to statutory auditors for their audit and review.

### BUSINESS OUTLOOK AND OVERVIEW

In 2009-10, the GDP is projected to grow by < 6%. This subdued outlook of the economy will impact the domestic automotive sector, which is expected to see a slowdown during 2009-10. While the passenger car industry is likely to register a marginal growth of 1%, supported by the launch of small cars and export of the same, the two-wheeler segment is expected to register a flat growth. The MHCV & LCV segments are expected to have a negative growth of 35% and 13% respectively. Tractor segment is estimated to register a negative growth of 10% and three wheelers a negative growth of 20% for 2009-10.

Having already established a leading position in tractor seats in domestic market, the Company is focusing on export markets and has developed new models for a leading original equipment (OE) manufacturer in the United States. Higher volume of business from this opportunity is expected in the current year as well as in the coming years.

Upgradation of urban bus fleet and introduction of deluxe/ultra deluxe buses by state transport corporations offers yet another scope for increase in volume of bus passenger and driver seats.

As regards exports, there is a good scope for increasing exports of driver seats for lawn and garden tractors and seat components for commercial vehicles. The Company is focusing on meeting customer expectations with regard to quality, cost and delivery.

During the year, the Company signed a Letter of Intent with F S Fehrer Automotive GmbH for entering

into a joint venture (JV). The JV will be 51:49 in favour of the Company. Fehrer is a well respected Tier-2 supplier to the passenger car seat manufacturers globally and specifically in Europe. The JV will also manufacture two-wheeler seats, micro cellular urethanes, polyurethane composites, foaming for driver seats and passenger seats for buses. With this JV, the Company expects to enhance its business opportunities in car seats as Tier 2 and also improve its capabilities in Polyurethane (PU) technology.

### RISKS AND CONCERNS

The recessionary trend and the uncertain situation in the commodity markets world-wide is expected to have a significant impact on the performance of the Indian economy in 2009-10 which, in turn, could affect the sales of the Company. It is expected that money supply to industry could become a constraint and in case of need, borrowers may have to pay higher rate of interest to avail of bank credit. Restriction in money supply is likely to further reduce demand for vehicles and hence affect the Company's domestic sales.

The stringent quality demand of customers could result in occasional possibilities of rework or product recall. Besides giving importance to 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 TQM, TPM and Lean Manufacturing, with best-in-class practices for safety, work environment, water and energy conservation. The Company is certified for ISO 14001 & OHSAS 18001.

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

#### b. Quality:

The quality system at the factory aims at achieving total customer satisfaction through its focus on improving product quality to World

standards. This is achieved through total employee involvement and continuous improvement culture. Rigorous usage of poka-yokes, utilization of statistical tools for process optimization and control also contribute towards improving the product quality. The Company is certified for TS 16949.

Total quality management (TQM) is a way of life in the Company. 100% participation in employee involvement has been successfully achieved for the 9<sup>th</sup> consecutive year.

c. Focus on Cost:

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

d. Financial performance:

The financial and operational performance of the company for the year 2008-09 as compared to the previous year 2007-08 is furnished:

Particulars	Year ended 31 <sup>st</sup> March 2009		Year ended 31 <sup>st</sup> March 2008	
	Rs.in lakhs	%	Rs. in lakhs	%
Income :				
Sales	<b>19,625.18</b>	<b>98.99</b>	19,104.87	98.60
Other income	<b>200.31</b>	<b>1.01</b>	271.76	1.40
Total Income	<b>19,825.49</b>	<b>100.00</b>	19,376.63	100.00
Expenditure :				
Raw materials and Components consumed	<b>15,012.49</b>	<b>75.72</b>	13,693.65	70.67
Staff cost	<b>1,887.25</b>	<b>9.52</b>	1,613.90	8.33
Stores and tools consumed	<b>278.90</b>	<b>1.41</b>	228.56	1.18
Power and fuel	<b>281.73</b>	<b>1.42</b>	236.72	1.22
Repairs and maintenance	<b>282.56</b>	<b>1.43</b>	296.17	1.53
Other expenses	<b>1,748.47</b>	<b>8.82</b>	1,535.05	7.92
Interest	<b>428.10</b>	<b>2.16</b>	286.90	1.48
Depreciation	<b>696.92</b>	<b>3.52</b>	532.93	2.75
Total expenditure	<b>20,616.42</b>	<b>103.99</b>	18,423.88	95.08
Profit / (Loss) before tax	<b>(790.93)</b>	<b>(3.99)</b>	952.75	4.92
Provision for taxation - Current tax	-	-	109.00	0.56
- Deferred tax	<b>81.85</b>	<b>0.41</b>	182.00	0.94
- Fringe benefit tax	<b>19.31</b>	<b>0.10</b>	20.50	0.11
Profit / (Loss) after tax	<b>(892.09)</b>	<b>(4.50)</b>	641.25	3.31
		<b>2008-09</b>		2007-08
EBITDA/turnover	%	<b>1.69</b>		9.10
Profit / (Loss) before tax/turnover	%	<b>(4.00)</b>		4.90
Return on capital employed	%	<b>(2.69)</b>		19.40
Return on net worth	%	<b>(27.28)</b>		18.30
Earnings per share in Rs.	<b>Rs.</b>	<b>(11.48)</b>		8.25



e. Internal control and their adequacy

The Company has a proper and adequate system of internal controls 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.

f. Human resource development

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

As of 31<sup>st</sup> March 2009, the Company had 540 employees on its rolls.

### COMMUNITY DEVELOPMENT AND SOCIAL RESPONSIBILITY

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

- a) Providing material support to a government school for improving the Infrastructure in the area.
- b) Assisting Self Help Groups in Belagondapalli village near the Factory in Hosur to supply and sell food items and also buying these items for the Company's canteen on a continuous basis.
- c) In order to encourage students in education and motivate them to do well in their studies, the Company offers scholarships to meritorious students of schools in nearby villages.

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

### CAUTIONARY STATEMENT

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

### 4. SUBSIDIARY COMPANY

During the year, the Company acquired the entire paid up capital of M/s. Harita Polymer Private Limited (HPL) consisting of 10,000 equity shares of Rs.10/- each aggregating to Rs.1.00 lakh.

By virtue of this acquisition by the Company, HPL became a wholly owned subsidiary of the Company effective 5<sup>th</sup> November 2008, in terms of section 4(1)(b) of the Companies Act, 1956 ('the Act'). Consequently, the status of HPL stood changed as a public limited Company in terms of section 3(1)(iv) of the Act. The Company also subscribed to the additional 40,000 equity shares of Rs.10/- each aggregating to Rs.4 lakhs.

On 30<sup>th</sup> March,2009,HPL acquired the foaming business of the Chennai plant of M/s Polyflex (India) Private Limited.

The board, at its meeting held on 28<sup>th</sup> April 2009, approved the proposal to transfer the following businesses of the Company other than operations at Nalagarh on a going concern basis:

- (i) Foaming business of the Company, two wheeler and three wheeler seats, seat cushions, long fibre injection (LFI) and micro cellular urethane (MCU) products, and
- (ii) Foaming business acquired from M/s.Polyflex (India) Private Limited and M/s.Polyflex Engineering (Private) Limited;

together with the respective assets and liabilities, rights, duties and obligations etc, to HPL subject to



the approval of the shareholders of the Company. A detailed explanatory statement explaining the proposal was also circulated to the shareholders, seeking their consent for transfer of the aforesaid businesses to HPL. The shareholders of the Company also approved the proposal through postal ballot with overwhelming majority by way of ordinary resolution. The details of voting by postal ballot are furnished in the corporate governance report attached to this report.

It is also proposed by the board of directors of the wholly owned subsidiary, namely HPL to change its name in view of the proposed joint venture between the Company and the proposed foreign promoters, namely M/s. F.S. Fehrer Automotive GmbH, Germany to represent their participation in the business of HPL.

As on the date of this report, HPL is the only subsidiary of the Company

The annual accounts of the subsidiary for the period ended 31<sup>st</sup> December 2008 is consolidated with the accounts of the Company in accordance with Accounting Standard 21 (AS 21) prescribed by The Institute of Chartered Accountants of India pursuant to Clause 32 of the Listing Agreement. The consolidated accounts duly audited by the statutory auditors of the Company and the consolidated financial information of the wholly owned subsidiary form part of the annual report.

As required by section 212 of the Act, a statement and a copy of the audited annual accounts of HPL for the period ended 31<sup>st</sup> December 2008 together with reports of the directors and statutory auditors are attached to the balance sheet of the Company.

### 5. DIRECTORS

During the year, Mr. Martin Grammer, 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 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. Your directors recommend his re-appointment as a director of the Company.

### 6. AUDITORS

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

### 7. CORPORATE GOVERNANCE

The Company has complied with the provisions of Listing Agreement concerning corporate governance and a report to this effect is attached as required by Clause 49 of the Listing Agreement with the Stock Exchanges. A certificate issued by the statutory auditors of the Company regarding compliance with conditions of corporate governance, is also annexed to the said report.

The president and the general manager (finance) and secretary of the Company have certified the financial statements and other connected 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 2009.

### 8. STATUTORY STATEMENTS

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

#### **Particulars of employees**

As required under the provisions of section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of the employees are set out in the Annexure II to this report.

However, as per the provisions of section 219(1)(b)(iv) of the Companies Act, 1956, the report and accounts are being sent to all the shareholders of

the Company excluding the aforesaid information on employees. Any shareholder interested in obtaining such particulars may write to the Company Secretary at the Registered office of the Company.

### 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, 2009, the applicable accounting standards had been followed along with proper explanation relating to 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 2009 on a "going concern basis".

### 9. ACKNOWLEDGEMENT

The directors acknowledge the 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 of the sincere efforts of all the employees of the Company during the year under review.

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

For and on behalf of the Board

Chennai  
27<sup>th</sup> July 2009

H LAKSHMANAN  
Chairman

**Annexure I to the Directors' report for the year ended 31<sup>st</sup> March 2009  
INFORMATION PURSUANT TO SECTION 217(1) (e) OF THE COMPANIES ACT, 1956**

**A. CONSERVATION OF ENERGY**

**1. Measures taken**

- a) Provided energy efficient motors for EMB PU foaming polyol metering system
- b) Optimized utilization of heating energy in Rotary Mould temperature control unit
- c) Established automatic power factor controller to minimize the power and distribution losses in PU composite process
- d) Introduced energy efficient fume extraction system for welding process
- e) Introduced magnetic resonators for LPG heating system of powder coating and Pretreatment process to improve fuel efficiency
- f) Maximize utilization of captive generation by effective load management

The above measures have resulted in an annual savings of Rs.29.66 lakhs

**2. Proposed measures**

- a) Energy saving devices for diesel generators
- b) Direct mould temperature control for moulds in Foaming Plant
- c) Modification of the hydraulic power pack of the R & D Mould Fixtures
- d) Magnetic resonators for canteen LPG fuel line to improve the fuel efficiency
- e) Introduction of periodical energy auditing and implement energy conservation measures

The above measures will result in an annual saving of about Rs. 12 lakhs.

**B. TECHNOLOGY ABSORPTION**

**Research & Development**

**1. Specific areas in which R&D is carried out in the company**

- a) Developed new seats for Yamaha & Royal Enfield two wheelers
- b) Developed seat for Hyundai construction equipment
- c) Developed seats for International Cars & Motors Ltd for their 10 seater variant
- d) Developed variants of Off-road vehicle seats for BEML & Telcon
- e) Developed new variants of Metro & Deluxe Bus seats for both domestic & export markets
- f) Developed seats for John Deere, USA for their Construction & Forestry equipments
- g) Successfully launched luggage racks for bus interiors

**2. Benefits derived as a result of above measures**

- a) Enhanced market presence in Two wheeler segment
- b) Additional business opportunities through construction equipment manufacturers
- c) Enhanced sales in bus passenger seats segment
- d) Creating future business potential through bus interiors

**3. Future plan of action**

- a) Development of Technology products in Tractor & CV Driver segment to improve safety and comfort levels of drivers.
- b) Rationalization of product platforms in Tractor, CV driver & BPS segments

c) Development of products in Non-automotive segment

**4. Expenditure on R&D**

	Rs. in lakhs
(i) Capital	98.01
(ii) Recurring	269.30
Total	<u>367.31</u>
(iii) Total expenditure as a percentage of turnover	1.85%

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

- (i) Efforts in brief:
- Development of alternate design & materials to reduce product costs in Bus seats segment
  - Exploring new methods & practices of polyurethane foaming technology
- (ii) Benefits derived as a result of the above are -
- Optimized material cost through introduction of plastic pan for bus passengers
  - Injection moulded back covers for deluxe bus seats for improved fit & finish
  - Pilot lot supply of luggage racks for buses

(iii) Details relating to imported technology: (Technology imported during the last 5 years reckoned from the beginning of the financial year).

NIL

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO**

**1. Activities relating to export:**

- i) During the year 2008-09 new orders for export of driver seats and components for commercial vehicles were received and executed.
- ii) The Company is continuing its efforts to increase the current volume of export of driver and passenger seats to USA and Europe.

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

Foreign exchange earned:	Rs.1262.29 lakhs
Foreign exchange used:	Rs.1307.18 lakhs

For and on behalf of the Board

Chennai  
27<sup>th</sup> July 2009

H LAKSHMANAN  
Chairman

**REPORT ON CORPORATE GOVERNANCE**

**1. Company’s philosophy on code of Governance**

The Company believes in transparency, professionalism and accountability, which are the basic principles of corporate governance. The Company would constantly endeavor to improve on these aspects.

**2. Board of Directors**

**2.1 Composition and category of directors:**

As of 31<sup>st</sup> March 2009, the board consists of four directors. All are non-executive directors. Out of the four directors, three directors are independent directors.

During the year, Mr C Narasimhan resigned as a director and Mr C N Prasad was appointed as a director w.e.f. 23<sup>rd</sup> April 2008.

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

During the year 2008-2009, the board met 5 times on 23<sup>rd</sup> April 2008, 2<sup>nd</sup> July 2008, 30<sup>th</sup> July 2008, 31<sup>st</sup> October 2008 and 30<sup>th</sup> January 2009 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 7<sup>th</sup> August 2008 and also the number of other directorships and committee memberships / chairmanships as on 31<sup>st</sup> March 2009 are as follows:

Name of the Directors  M/s.	Cate- gory	Attendance Particulars		Number of directorships and committee memberships / chairmanships		
		Board Meeting	Last Annual General Meeting	Other director- ships*	Committee memberships <sup>@</sup>	Committee chairman- ships
H Lakshmanan	NE-I	5	Yes	21	9	2
S I Jaffar Ali	NE-I	5	Yes	-	2	-
Martin Grammer	NE-NI	2	Yes	-	-	-
C N Prasad (appointed w.e.f 23.4.2008)	NE-I	4	Yes	3	3	-
C Narasimhan (resigned w.e.f 23.4.2008)	NE-I	1	-NA-	-NA-	-NA-	-NA-

\* includes private companies

@ includes committees where the director is also a chairman.

NE-I : Non Executive - independent director

NE-NI : Non Executive - non independent director

None of the directors is a member of more than 10 board level committees or chairman of more than 5 such committees across all companies as covered under 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 functional heads. The board also reviews the declarations made by the president and secretary of the Company regarding compliance of all applicable laws on quarterly basis.

### 2.5 Code of Business Conduct and Ethics for board and senior management personnel:

The Company has in place the Code of Business Conduct and Ethics for board and senior management personnel (the Code) approved by the board. The Code has been communicated to directors and the members of the senior management. The Code has also been displayed on the Company's website [www.haritaseating.com](http://www.haritaseating.com). All the board members and senior management personnel have affirmed compliance with the Code for the year ended 31<sup>st</sup> March 2009. The annual report contains a declaration to this effect signed by the president and company secretary as compliance officer for the Code.

### 2.6 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 relationship 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 disclosures 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 related party transactions.
- d. 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.
- e. Recommending to the board the appointment / re-appointment / replacement of the statutory auditors and the fees payable for audit and for other services rendered by the statutory auditors.
- f. Reviewing with the management, the performance of statutory and internal auditors.
- g. Reviewing with the management, external and internal auditors, the adequacy of internal control systems.

- h. Reviewing the adequacy of internal audit functions and systems, structure, reporting process, audit coverage and frequency of internal audit.
- i. Discussion with external auditors regarding audit plan as well as post-audit discussion to ascertain any area of concern.
- j. Ascertainment of reasons for substantial defaults in the payment to creditors and in case of payment of declared dividends to the shareholders.
- k. Review of management discussion analysis of financial conditions and results of operations and other matters specified under clause 49 of the Listing Agreement.
- l. Review of financial statements, in particular the investments made by the unlisted subsidiary.
- m. In addition, review of 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**

During the year, the audit committee was reconstituted consequent to the changes in the board. As of 31<sup>st</sup> March 2009, the audit committee consists of the following non-executive and independent directors:

Sl. No.	Name of the Directors M/s.	Status
1	H Lakshmanan, Chairman	Non-executive and Independent director
2	C N Prasad, Member (*)	Non-executive and Independent director
3	S I Jaffar Ali, Member	Non-executive and Independent director

During the year, Mr C Narasimhan resigned from the Board and Mr C N Prasad was appointed as a member with effect from 23<sup>rd</sup> April 2008.

Mr. H Lakshmanan, Chairman of the Audit Committee, is a non-executive and independent director. Mr. S Srinivasan, Secretary of the Company acts as the Secretary of the Audit Committee. Chairman of the Audit Committee was present at the last annual general meeting held on 7<sup>th</sup> August 2008. The composition of the committee is in accordance with the requirements of Clause 49 of the Listing Agreement and 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.
23.04.2008	H Lakshmanan, S I Jaffar Ali and C Narasimhan
02.07.2008	H Lakshmanan and S I Jaffar Ali
30.07.2008	H Lakshmanan, S I Jaffar Ali and C N Prasad
31.10.2008	H Lakshmanan, S I Jaffar Ali and C N Prasad
30.01.2009	H Lakshmanan, S I Jaffar Ali and C N Prasad

**4. Subsidiary companies**

- 4.1 The Company’s subsidiary does not fall under the definition of “material non-listed Indian subsidiary”.
- 4.2 The audit committee of directors reviews the financial statements and in particular the investments made by unlisted subsidiary company.
- 4.3 The minutes of the board meetings of unlisted subsidiary company 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 and associate companies etc. of routine nature where applicable have been reported elsewhere in the annual report as per Accounting Standard 18 (AS18) issued by The Institute of Chartered Accountants of India.

The Audit Committee is briefed, inter alia, on the following aspects:

- (i) the related party transactions undertaken by the Company in the ordinary course of business (summary);
- (ii) material individual transactions, if any, which were not in the normal course of business; and
- (iii) 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 Accounting Standards issued by The Institute of Chartered Accountants of India / Company (Accounting Standards) Rules, 2006 and in the preparation of financial statements, the Company has not adopted a treatment different from that prescribed in any Accounting Standard.

### 5.3 Risk Management:

The Company has laid down procedures to inform the board about the risk assessment and minimization procedures. These procedures are periodically reviewed 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 SEBI or any other statutory authorities on any matter related to the 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 Head of 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, 2009.

### 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 Management discussion and analysis report:

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

## 6. Remuneration Committee

- 6.1 The board had constituted a Remuneration Committee on 10<sup>th</sup> July 2009 with the objective to decide the Company's policy on specific remuneration packages for executive directors, if any including payment of remuneration as per the ceiling 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 payment to senior management personnel.

6.2 The Remuneration Committee comprises of three non-executive and independent directors. The Chairman of the Committee is a non-executive and independent director. The composition of Remuneration Committee of directors and the details of their attendance in the meeting of the Remuneration Committee held are given below:

Sl. No.	Name of the Directors M/s.	Status	Attendance at the meeting held on 14.07.2009
1	H Lakshmanan, Chairman	Non-executive and Independent director	Present
2	C N Prasad, Member	Non-executive and Independent director	Present
3	S I Jaffar Ali, Member	Non-executive and Independent director	Present

6.3 The board earlier fixed an overall limit of Rs.58 lakhs as remuneration payable to Mr S Thiagarajan as manager within the overall limit of Rs.75 lakhs sanctioned by the shareholders of the Company at the general meeting held on 7<sup>th</sup> August 2008. However, Mr S Thiagarajan was paid a remuneration of Rs.51.77 lakhs for the year ended 31<sup>st</sup> March 2009.

6.4 The Company incurred a loss for the first time during the year ended 31<sup>st</sup> March 2009 due to various reasons as detailed in the Management Discussion and Analysis Report forming part of the Directors' Report.

6.5 The Remuneration Committee met on 14<sup>th</sup> July 2009 to refix his remuneration within the applicable limits specified in section II of Part II of Schedule XIII of the Companies Act, 1956 due to the loss incurred by the Company for the year ended 31<sup>st</sup> March 2009.

6.6 Accordingly, the Remuneration Committee, revised his remuneration to Rs.48 lakhs per annum, payable to him proportionately for the period commencing from 1<sup>st</sup> April 2008 to 10<sup>th</sup> November 2009, being the minimum remuneration payable to him in the event of inadequacy of profits or loss in any subsequent financial year, subject to the approval of the shareholders by way of a special resolution in terms of the applicable provisions of the Act. This limit has been arrived at based on the "effective capital" of the Company as of 31<sup>st</sup> March 2009 in accordance with section II of Part II of Schedule XIII of the Act.

6.7 The Remuneration Committee considered the extent of remuneration permissible by following the procedures laid down under the Act and after taking into consideration various other parameters for payment of minimum remuneration for the year 2008-2009 consequent to the loss suffered by the Company, and accordingly recommended a recovery of Rs.3.77 lakhs from him which has since been recovered. The board accepted the recommendation and refixed the remuneration payable to Mr S Thiagarajan as manager of the Company for the above period.

6.8 Further, Mr S Thiagarajan will be retiring from the services of the Company effective 11<sup>th</sup> November 2009 and hence it was also proposed to appoint Mr A G Giridharan, President as "Manager" for the purpose of the Act for a period of three years from 11<sup>th</sup> November 2009 as recommended by the Remuneration Committee.

6.9 The details of his terms of appointment and remuneration proposed to be paid are given, as recommended by the Remuneration Committee and approved by the board, in the resolution seeking the approval of the shareholders by way of a special resolution at the ensuing annual general meeting of the Company.

**6.10 Details of remuneration paid to managerial personnel during financial year 2008-09:**

(Rs.in lakhs)

Name & Position M/s.	Salary, performance incentives & allowances	Provident Fund
S Thiagarajan President	48.00	2.65

**6.11 Remuneration to directors:**

The other directors 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 Companies Act, 1956. The members of the Remuneration Committee waived their sitting fee payable to them for attending the meeting of this Committee.

Presently, the Company does not have a scheme for grant of any stock option either to the directors or employees of the Company.

**6.12 Particulars of sitting fees paid to the directors during the financial year 2008-2009.**

Name of the Directors M/s.	Sitting fees paid (in Rs.)
H Lakshmanan	47,500
C N Prasad	37,500
C Narasimhan	7,500
S I Jaffar Ali	47,500
Martin Grammer	5,000
Total	1,45,000

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

**6.13 Details of shareholdings of non-executive directors in the Company as on 31<sup>st</sup> March 2009**

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

There are no other particular 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, non-executive chairman of the board, C N Prasad and S I Jaffar Ali. Mr H Lakshmanan is the chairman of the committee.

7.2 As required by Securities and Exchange Board of India (SEBI), Mr. S. Srinivasan, secretary of the Company has been appointed as the compliance officer. For any clarification / complaint, shareholders may contact Mr. S Srinivasan, secretary or Mr. V N Venkatanathan, special officer of the Company.

7.3 The committee oversees and reviews all matters connected with share transfers, issue of duplicate share certificates and other issues pertaining to shares. The committee also looks into the redressal of investors' grievances pertaining to transfer of shares, non-receipt of annual report, non-receipt of declared dividends, etc. 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 2008-2009:

S.No	Nature of Complaints	No. of Complaints
1.	Non-receipt of share certificates	Nil
2.	Non-receipt of dividend warrants	One
3.	Other complaints	Nil
	Total	One

7.5 All the complaints were redressed as on 31<sup>st</sup> March 2009 and no complaint was pending.

All requests for dematerialization of shares were carried out within the stipulated time period and no share certificate was pending for dematerialization as on 31<sup>st</sup> March 2009.

7.6 Secretarial Audit:

A qualified practising company secretary carried out a secretarial 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 placed the report for perusal of the board. The secretarial audit report confirms that the total issued and listed capital 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
2005-06	Kasturi Srinivasan Hall (Mini Hall) The Music Academy, New No.168, Old No. 306, T T K Road (Mowbrays Road), Chennai 600 014.	18.09.2006	10.15 A.M.
2006-07	Kasturi Srinivasan Hall (Mini Hall) The Music Academy, New No.168, Old No. 306, T T K Road (Mowbrays Road), Chennai 600 014.	13.09.2007	10.15 A.M.
2007-08	Kasturi Srinivasan Hall (Mini Hall) The Music Academy, New No.168, Old No. 306, T T K Road (Mowbrays Road), Chennai 600 014.	07.08.2008	10.30 A.M.

8.2 Special resolutions passed in the previous three annual general meetings (AGM)

During the last three years, namely 2005-2006 to 2007-2008, no special resolution was passed by the shareholders of the Company.

8.3 None of the subjects placed before the shareholders in the last / ensuing annual general meeting required/requires approval by a postal ballot.

8.4 Postal Ballot:

(i) The board sought the consent of shareholders of the Company by way of ordinary resolutions through Postal Ballot as per the notice to the shareholders issued on 31<sup>st</sup> October 2008, for (i) increasing the borrowing limit over and above the paid up capital and

free reserves of the Company in terms of Section 293(1)(d) of the Companies Act, 1956; and (ii) for creating charge/mortgage over the properties for the purpose of availing loan in terms of Section 293(1)(a) of the Companies Act, 1956.

These ordinary resolutions were passed by the shareholders of the Company with overwhelming majority. The results of the Postal Ballot are given below:

Particulars	No. / % of votes cast in favour	No. / % of votes cast against
Resolution No. (i)	58,83,321 / 99.89	6,627 / 0.11
Resolution No. (ii)	58,70,156 / 99.89	6,433 / 0.11

These results were published in the newspapers, namely Business Line and Dinamani on 19<sup>th</sup> December 2008 and also on the notice board of the registered office of the company on 18<sup>th</sup> December 2008 and the same were also published in the official web-site of the Company.

- (ii) Similarly, the board also sought the consent of shareholders of the Company by way of an ordinary resolution through Postal Ballot as per the notice to the shareholders issued on 28<sup>th</sup> April 2009 for transferring, selling or otherwise disposing the businesses owned and those acquired by the Company to the wholly owned subsidiary of the Company, namely Harita Polymer Limited (HPL) in terms of section 293(1)(a) of the Companies Act, 1956.

This ordinary resolution was passed by the shareholders of the Company with overwhelming majority. The results of the Postal Ballot are given below:

Particulars of resolution	
Ordinary resolution under section 293(1)(a) of the Companies Act, 1956 for transferring, selling or otherwise disposing of the businesses (I) Presently owned by the Company viz. foaming business, two wheeler and three wheeler seats, seat cushions, Long Fibre Injection (LFI) and Micro Cellular Urethane (MCU); and (II) Foaming business acquired from Polyflex (India) Private Limited and Polyflex Engineering (Private) Limited together with the respective assets and liabilities, rights, duties and obligations etc. both present and future relating thereto, to the wholly owned subsidiary namely Harita Polymer Limited, as set out in the Notice dated 28 <sup>th</sup> April 2009 circulated to the members.	
No. / % of votes cast in favour	63,45,914 / 99.97
No. / % of votes cast against	1,662 / 0.03

These results were published in the newspapers, namely Business Line and Dinamani on 19<sup>th</sup> June 2009 and also on the notice board of the registered office of the company on 18<sup>th</sup> June 2009 and the same were also published in the official web-site of the Company.

**8.5 Procedures for Postal Ballot:**

After receiving the approval of the board, the notice, explanatory statement alongwith the postal ballot form and pre paid self-addressed envelope, were dispatched to the shareholders to enable them to consider and 'vote for or against' the proposals within a period of 30 days from the date of dispatch. Mr. K Sriram, Practising Company Secretary, Chennai was appointed as Scrutinizer for conducting the Postal Ballot exercise. The Calendar of Events of the Postal Ballot process was filed with the Registrar of Companies, Tamilnadu, Chennai within the stipulated period. After the last date of receipt of postal ballots, the Scrutinizer, after due verification, submitted his report. Thereafter, the results of the postal ballot were declared by Mr H Lakshmanan, Chairman of the company. The same were posted on the website of the Company and at the Registered Office of the Company.

At present, there is no proposal for passing any ordinary / special resolution through Postal Ballot.

**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 result announcement, annual report, media releases, Company's website and subject specific communications.

**9.1 Quarterly Results:**

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

**9.2 Newspapers wherein results normally published:**

The results are normally published in English newspaper viz. The Economic Times and the Tamil version of the financial results in a Tamil daily viz., Makkal Kural.

9.3 Website:

The Company has created a website addressed as [www.haritaseating.com](http://www.haritaseating.com). The unaudited results and quarterly distribution schedules as filed with the Stock Exchanges are published in the Company's Website. The Company makes use of its website for publishing official news releases and presentations, if any, made to institutional investors / analysts.

**10. General Shareholder information**

10.1 Annual General Meeting

Date and time : Monday, the 7<sup>th</sup> September 2009 at 10.15 a.m.  
 Venue : Mini Hall of Narada Gana Sabha, No. 314, (Old No. 254) TTK Road Chennai 600 018

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

Financial Calendar (2009-2010) (Tentative)

Annual General Meeting (next year) : During August/ September 2010

Financial reporting for the quarter ending : Financial calendar

30<sup>th</sup> June 2009 : 27<sup>th</sup> of July 2009  
 30<sup>th</sup> Sept. 2009 : Between 15<sup>th</sup> and of 31<sup>st</sup> of October 2009  
 31<sup>st</sup> Dec. 2009 : Between 15<sup>th</sup> and of 31<sup>st</sup> of January 2010  
 31<sup>st</sup> March 2010 : Between 15<sup>th</sup> April and 30<sup>th</sup> of June 2010

10.3 Date of book closure:

From 3<sup>rd</sup> September 2009 to 7<sup>th</sup> September 2009 (both days inclusive).

10.4 Listing on Stock Exchanges:

Name of the Stock Exchange	Stock Code
Madras Stock Exchange Ltd., (MSE)	-
Bangalore Stock Exchange Ltd., (BgSE)	-
National Stock Exchange of India Limited (NSE)	HARITASEAT
ISIN allotted by Depositories (Company ID Number)	INE 939D01015

In deference to the requests / representations made by the shareholders for taking steps to list the shares either in Bombay Stock Exchange Limited (BSE) or in the National Stock Exchange of India Limited (NSE), since the shares are not frequently traded in both the Stock Exchanges, namely MSE and BgSE, the Company made an application for listing of its shares in NSE. The NSE after considering the representation made by the Company, the trading of the shares were permitted by them effective 6<sup>th</sup> April 2009. The Scrip code allotted by NSE is "HARITASEAT".

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 for the year 2009-2010 were duly paid to the above stock exchanges)

10.5 Market price data:

The shares of the Company were not traded during the period 1<sup>st</sup> April 2008 to 31<sup>st</sup> March 2009 in MSE and BgSE. However, the shares of the Company are being regularly traded in BSE-INDONext and the data relating to the trading in BSE -INDONext is given below:

Month	BSE-INDONext (in Rs.)	
	Month's high price	Month's low price
April 2008	85.00	62.00
May 2008	83.95	72.10
June 2008	82.50	67.00
July 2008	75.00	59.45
August 2008	79.25	65.10
September 2008	78.00	63.00
October 2008	67.50	49.25
November 2008	55.00	44.80
December 2008	69.00	50.00
January 2009	58.00	45.00
February 2009	46.40	40.90
March 2009	48.20	41.00

10.6 Share Transfer Agent (STA) and share transfer system:

- a. With a view to rendering 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 both physical and electronic, dividends and other matters are 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 shareholders and other miscellaneous correspondence on change of address, mandates etc. are processed by the STA within 7 days.
- d. Pursuant to Clause 47(c) of the Listing Agreement with Stock Exchanges, certificates, on half-yearly basis, have been issued by a Company Secretary-in-practice for due compliance of share transfer formalities by the Company.
- e. Pursuant to SEBI (Depositories and Participants) Regulations, 1996, certificates have also been received from a Company Secretary-in-practice for timely dematerialization of the shares of the Company and for conducting a secretarial audit on a quarterly basis for reconciliation of the share capital of the Company.
- f. The Company, as required under clause 47(f) of the Listing Agreement, has designated the following e-mail IDs, namely [investorscomplaintsstata@scl.co.in](mailto:investorscomplaintsstata@scl.co.in) / [ss.srinivasan@haritaseating.com](mailto:ss.srinivasan@haritaseating.com) for the purpose of registering complaints, if any, by the shareholders and expeditious redressal of their grievances.
- g. Shareholders are, therefore, requested to correspond with the STA for transfer/transmission of shares, change of address and queries pertaining to their shareholding, dividend etc. at their address given in this report.



10.7 Shareholding pattern as on 31<sup>st</sup> March 2009

Particulars	No. of shares of Rs. 10/- each	% to total
(A) Shareholding of Promoter and Promoter Group		
(1) Indian – Bodies Corporate	40,72,400	52.42
(2) Foreign – Individuals	10,87,600	14.00
Total Shareholding of Promoter Group (A)	51,60,000	66.42
(B) Public Shareholding		
(1) Institutions		
(a) Mutual Funds	—	—
(b) Banks, Financial Institutions, Insurance companies (Central, State Government Institutions, Non-Govt.Institutions)	200	—
Sub Total (a)	200	—
(2) Non-Institutions		
(a) Bodies Corporate	11,71,261	15.07
(b) Individuals < 1 Lakh	14,08,964	18.14
(c) Individuals > 1 Lakh	10,600	0.14
(d) NRI – Repatriable	5,350	0.07
(e) NRI – Non-Repatriable	12,665	0.16
Sub Total (b)	26,08,840	33.58
Total (a)+(b)=(B)	26,09,040	33.58
Grand Total (A) + (B)	77,69,040	100.00

 10.8 Distribution of Shareholding as on 31<sup>st</sup> March 2009

Shareholding (Range)	No. of shares	% to total shares	No. of members	% to total members
Upto 500	6,07,771	7.82	3,061	81.55
501-1000	3,29,458	4.24	412	10.97
1001-2000	2,81,880	3.63	192	5.11
2001-5000	1,88,827	2.43	61	1.62
5001-10000	89,820	1.16	12	0.32
10001 & above	62,71,284	80.72	16	0.43
Total	77,69,040	100.00	3,754	100.00

## 10.9 Dematerialization of shares:

Out of 26,09,040 equity shares of Rs.10/- each held by persons other than Promoters, 19,47,743 shares have been dematerialized as on 31<sup>st</sup> March 2009 accounting for 74.65%.

10.10 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.

10.11 Plant Locations:

- a) Hosur :
- Belagondapalli, Thally Road  
Hosur 635 114.  
Tamilnadu  
Tel : 04347 233445  
Fax : 04347 233460  
Email : [st.thiagarajan@haritaseating.com](mailto:st.thiagarajan@haritaseating.com)  
[agiri@haritaseating.com](mailto:agiri@haritaseating.com)
- b) Ranjangaon :
- Plot No.A2, MIDC Industrial area  
Ranjangaon, Koregaon Village  
Shirur taluk, Pune District  
Maharashtra  
Tel : 021 38 660742  
Email : [st.thiagarajan@haritaseating.com](mailto:st.thiagarajan@haritaseating.com)  
[agiri@haritaseating.com](mailto:agiri@haritaseating.com)
- c) Himachal Pradesh :
- Chaurasia Road, Pargana Plassi  
Village Bhatian, Thesil Nalagarh  
Solani District,  
Himachal Pradesh 174 101  
Tel : 01 795-220562  
Email : [st.thiagarajan@haritaseating.com](mailto:st.thiagarajan@haritaseating.com)  
[agiri@haritaseating.com](mailto:agiri@haritaseating.com)
- d) Karnataka :
- Plot No. 116, 117, 125 A,  
Bommasandra Industrial Area  
Bangalore 560 099  
Karnataka  
Tel : 080 27832851  
Fax : 080 27832853  
Email : [st.thiagarajan@haritaseating.com](mailto:st.thiagarajan@haritaseating.com)  
[agiri@haritaseating.com](mailto:agiri@haritaseating.com)

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.  
Tel : 044 - 2374 1889, 2374 2939  
Fax : 044 - 2374 1889  
Email : [sclshares@gmail.com](mailto:sclshares@gmail.com)  
[kr.raman@scl.co.in](mailto:kr.raman@scl.co.in)
- (ii) For any query on non-receipt of annual reports
- Email: [investorscomplaintssta@scl.co.in](mailto:investorscomplaintssta@scl.co.in)
- (iii) For investor grievance and general correspondence
- [ss.srinivasan@haritaseating.com](mailto:ss.srinivasan@haritaseating.com)

## **11. Non-Mandatory Disclosures**

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:**

No policy has been fixed on tenure of independent directors.

The non-executive directors of the Company are liable to retire by rotation and if eligible, offer themselves for re-appointment. No specific tenure has been fixed 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 Vernacular newspapers and are also displayed on the Company's website namely [www.haritaseating.com](http://www.haritaseating.com) and in the official website of Stock Exchanges where the Company's shares are listed/traded. 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.

### **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.

### **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.

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

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.

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

Shareholders should fill in 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.

Shareholders are requested to note that SEBI has recently issued a circular vide MRD/DoP/Cir-05/1009 dated 20<sup>th</sup> May 2009 wherein it has made it mandatory for transferees to furnish a copy of Permanent Account Number (PAN) for registration of transfer of shares to be 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.

### 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.

### 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.

### 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.

### SMS Alerts:

Investors are requested to note that National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) have announced the launch of SMS alert facility for

demat account holders whereby investors 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 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.

### 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 "Investors Education and Protection Fund (IEPF)." As required by SEBI, shareholders are requested to furnish details of their bank account number and 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, 2003 and for any financial year thereafter may contact the Company and surrender their warrants for payment.

Shareholders are requested to note that the dividend not claimed for a period of seven years from the date they first became due for payment shall be transferred to "Investors Education and Protection Fund" (IEPF) in terms of Section 205C of the Companies Act, 1956. Shareholders are requested to note that as per the Companies Act, 1956, unclaimed dividends once transferred to IEPF will not be refunded. Information in respect of unclaimed dividends due for remittance into IEPF is given below:

## PARTICULARS OF UNCLAIMED DIVIDEND

Financial Year	Date of declaration	Date of transfer to special account	Date of transfer to IEPF
2002-2003	20.06.2003	26.07.2003	26.07.2010
2003-2004	19.08.2004	24.09.2004	24.09.2011
2004-2005	05.09.2005	11.10.2005	11.10.2012
2005-2006	18.09.2006	24.10.2006	24.10.2013
2006-2007 Interim	22.03.2007	27.04.2007	27.04.2014
2007-2008	07.08.2008	12.09.2008	12.09.2015

Reminders are sent to Investors periodically advising them to encash the unclaimed dividends before transferring the unclaimed dividends to IEPF. Investors will be advised well in advance before transferring the unclaimed dividends to IEPF. Investors are requested to note that, as per the Companies Act, 1956, unclaimed dividends once transferred to IEPF cannot be claimed.

---

**Declaration pursuant to clause 49 of the listing agreement regarding adherence to the Code of Business Conduct and Ethics**

To

The Shareholders of Harita Seating Systems Limited  
Chennai

On the basis of the written representations received from members of the board and senior management personnel in terms of the relevant provision 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 of directors for the year ended 31<sup>st</sup> March 2009.

Chennai  
27<sup>th</sup> July, 2009

S THIAGARAJAN  
Manager cum President

S SRINIVASAN  
Secretary

**Auditors certificate on compliance of the provisions of the code of corporate governance in the listing agreement**

To  
The Shareholders of 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 2009, 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 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' Grievance 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

M BALASUBRAMANIAM  
Partner  
Membership No.F7945

Chennai  
27<sup>th</sup> July, 2009

**Auditors' Report to the shareholders of Harita Seating Systems Limited, Chennai for the year ended 31<sup>st</sup> March, 2009**

We have audited the attached Balance Sheet of Harita Seating Systems Limited, Chennai 600 006 as at 31<sup>st</sup> March 2009 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 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 2009 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.
- (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 2009,
  - 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

M BALASUBRAMANIAM  
Partner  
Membership No.F7945

Chennai  
27<sup>th</sup> July 2009



**Auditors' report to the shareholders of Harita Seating Systems Limited, Chennai for the year ended 31<sup>st</sup> March, 2009**

**Annexure referred to in our report of even date on the accounts for the year ended 31<sup>st</sup> March 2009**

- (i) (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. However in respect of assets acquired from Polyflex India Pvt Ltd, Bangalore and Polyflex Engineering Pvt Ltd, Bangalore the registers are in the process of being updated.
- (b) All the assets have not been physically verified by the management during the year but there is a regular programme of verification at reasonable intervals, which, in our opinion, 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 inventory other than in-transit 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. In respect of inventories taken over from Polyflex India Pvt Ltd, Bangalore and Polyflex Engineering Pvt Ltd, Bangalore the inventory records are being updated. The discrepancies between the physical stocks and the book 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 other than an inter corporate deposit to its subsidiary free of interest. The terms of repayment of principal is yet to be agreed upon. The amount involved in the loan amount is Rs.3,326.97 lakhs.
- (b) During the year the company has taken secured loan from Bank and unsecured loan from two companies covered in the register maintained under Section 301 of the Companies Act, 1956. The terms of interest and other conditions of loan are not prejudicial to the interest of the company. The aggregate amount involved in the transaction is Rs.700 lakhs.
- (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 major weakness 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 and exceeding during the financial year by rupees five lakhs 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 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 regular in depositing undisputed statutory dues including Provident Fund, Investors Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other statutory dues with the appropriate authorities. The provisions of Employees State Insurance Act 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, Sales tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty and Cess were in arrears, as at 31<sup>st</sup> March 2009 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

are the details 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	0.98	Commissioner of Income-tax (Appeals), Chennai
Central Excise	Excise duty	4.63	Assistant Commissioner of Central Excise, Hosur II Division, Hosur
Service tax	Service tax	10.38	Commissioner of Central Excise, Chennai III
Karnataka Sales Tax	VAT	3.93	Assistant Commissioner of Commercial Taxes, Bangalore

- (x) The company's loss for the current year is deducted from the general reserve and the company has no accumulated losses as at the end of the year. The company has incurred cash loss during the year. However, in the immediately preceding financial year the company has not incurred cash loss.
- (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 bank.
- (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. During the year the company has invested in shares of subsidiary company in respect of which proper records have been maintained of the transactions and timely entries have been

- made thereon. 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

M BALASUBRAMANIAM  
Partner  
Membership No.F7945

Chennai  
27<sup>th</sup> July 2009

**Balance Sheet as at 31<sup>st</sup> March, 2009**

		Schedule	As at	Rupees in Lakhs	
		Number	31.03.2009	As at	
				31.03.2008	
<b>I SOURCES OF FUNDS</b>					
<b>1. Shareholders' funds:</b>					
a) Capital	I	<b>776.90</b>		776.90	
b) Reserves and Surplus	II	<b>2,055.78</b>	<b>2,832.68</b>	<u>2,930.94</u>	3,707.84
<b>2. Loan Funds</b>					
a) Secured loans	III	<b>9,134.98</b>		1,950.86	
b) Unsecured loans	IV	<b>1,065.05</b>	<b>10,200.03</b>	<u>688.87</u>	2,639.73
<b>3. Deferred tax liability</b> (net of deferred tax asset) (vide Notes on Accounts under AS22)					
TOTAL			<b>444.29</b>		362.44
			<b>13,477.00</b>	<u>6,710.01</u>	
<b>II APPLICATION OF FUNDS:</b>					
<b>1. Fixed assets</b>					
a) Gross block	V	<b>11,494.96</b>		8,114.09	
b) Less: depreciation		<b>3,501.27</b>		<u>2,814.18</u>	
c) Net block			<b>7,993.69</b>		5,299.91
d) Capital work-in-progress	VI		<b>3.18</b>		246.95
e) Acquisition expenditure pending allocation (Vide Note No. 6)			<b>3.01</b>		-
<b>2. Investments</b>					
			<b>259.85</b>		437.38
<b>3. Current assets, loans and advances:</b>					
a) Interest accrued on deposits		<b>0.61</b>		0.35	
b) Inventories	VIII	<b>914.87</b>		985.86	
c) Sundry debtors	IX	<b>6,014.42</b>		3,012.94	
d) Cash and bank balances	X	<b>993.04</b>		252.74	
e) Other current assets	XI	<b>78.75</b>		46.32	
f) Loans and advances	XII	<b>1,585.70</b>		<u>1,401.07</u>	
TOTAL (A)			<b>9,587.39</b>	<u>5,699.28</u>	
<b>Less: Current liabilities and provisions:</b>					
a) Current liabilities	XIII	<b>3,629.86</b>		3,639.77	
b) Provisions	XIV	<b>740.26</b>		<u>1,333.74</u>	
TOTAL (B)			<b>4,370.12</b>	<u>4,973.51</u>	
Net current assets			(A)-(B)	<b>5,217.27</b>	725.77
TOTAL			<b>13,477.00</b>	<u>6,710.01</u>	

H LAKSHMANAN Chairman	C N PRASAD Director	S THIAGARAJAN Manager cum President	As per our report annexed For SUNDARAM & SRINIVASAN Chartered Accountants
--------------------------	------------------------	--	---

Chennai 27 <sup>th</sup> July, 2009	S SRINIVASAN General Manager - Finance & Secretary	M. BALASUBRAMANIAM Partner Membership No.F7945
--	---	--

**Profit and Loss Account for the year ended 31<sup>st</sup> March, 2009**

	Schedule Number	Year ended 31.03.2009	Rupees in Lakhs Year ended 31.03.2008
Sales - Gross		<b>21,833.07</b>	21,841.90
Less: Excise duty and Service tax		<b>2,207.89</b>	2,737.03
Net Sales		<b>19,625.18</b>	19,104.87
Other income	XV	<b>200.31</b>	271.76
	<b>(A)</b>	<b>19,825.49</b>	19,376.63
Raw materials and components consumed	XVI	<b>15,012.49</b>	13,693.65
Salaries, wages, stores consumed and other expenses	XVII	<b>4,478.91</b>	3,910.40
	<b>(B)</b>	<b>19,491.40</b>	17,604.05
Profit before interest, depreciation and tax	(A)-(B)	<b>(C) 334.09</b>	1,772.58
Interest	XVIII	<b>428.10</b>	286.90
Depreciation		<b>696.92</b>	532.93
	<b>(D)</b>	<b>1,125.02</b>	819.83
Profit/(Loss) before tax	(C)-(D)	<b>(E) (790.93)</b>	952.75
Provision for taxation - income-tax		-	109.00
- fringe benefit tax		<b>19.31</b>	20.50
- deferred tax		<b>81.85</b>	182.00
	<b>(F)</b>	<b>101.16</b>	311.50
Profit/(Loss) for the year (after tax)	(E)-(F)	<b>(G) (892.09)</b>	641.25
Balance Profit brought forward		<b>230.94</b>	239.12
Profit/(Loss) for the year		<b>(892.09)</b>	641.25
		<b>(661.15)</b>	880.37
Tax relating to earlier years		<b>(16.63)</b>	(2.81)
Depreciation relating to earlier years		<b>(0.30)</b>	-
Proposed dividend		-	194.23
Provision for dividend tax		-	33.01
Transfer to general reserve		-	425.00
Balance surplus/(deficit) carried forward to balance sheet		<b>(644.22)</b>	230.94
		<b>(661.15)</b>	880.37
No. of equity shares		<b>77,69,040</b>	77,69,040
Nominal value of equity shares – Rs.		<b>10/-</b>	10/-
Basic and diluted earnings per share – Rs.		<b>(11.48)</b>	8.25

Notes on accounts XIX

H LAKSHMANAN Chairman	C N PRASAD Director	S THIAGARAJAN Manager cum President	As per our report annexed For SUNDARAM & SRINIVASAN Chartered Accountants
--------------------------	------------------------	--	---

Chennai 27 <sup>th</sup> July, 2009	S SRINIVASAN General Manager - Finance & Secretary	M. BALASUBRAMANIAM Partner Membership No.F7945
--	---	--

**Schedules**

	<b>As at 31.03.2009</b>	<b>Rupees in Lakhs As at 31.03.2008</b>
<b>I CAPITAL</b>		
Authorised 1,00,00,000 Equity shares of Rs.10/- each	<b>1,000.00</b>	1,000.00
Issued, subscribed and paid up 77,69,040 Equity shares of Rs.10/- each fully paid up	<b>776.90</b>	776.90
	<b>776.90</b>	776.90
Out of the above 77,69,040 Equity shares, 38,84,520 Equity shares were allotted by capitalisation of General Reserve to the extent of Rs. 388.45 lakhs.		
<b>II RESERVES AND SURPLUS</b>		
a) State Subsidy	<b>15.00</b>	15.00
b) General reserve As per last balance sheet	<b>2,675.00</b>	2,638.45
Less: Balance in profit & loss account	<b>644.22</b>	-
	<b>2,030.78</b>	2,638.45
Less: Amount capitalised by issue of Bonus Shares	-	388.45
	<b>2,030.78</b>	2,250.00
Add: Transfer from Profit and Loss account	-	425.00
	<b>2,030.78</b>	2,675.00
c) Capital redemption reserve	<b>10.00</b>	10.00
d) Surplus/(deficit) i.e Balance in profit and loss account	-	230.94
	<b>2,055.78</b>	2,930.94
<b>III SECURED LOANS</b>		
From banks		
a) Secured by a first charge on fixed assets of the Company	<b>910.13</b>	1,359.99
b) Secured by sole charge of specific fixed assets of the company	<b>550.00</b>	-
c) Secured by equitable mortgage of land and buildings at Velanthatangal village, Thandalam and at Bommasandra Industrial layout, Bangalore and first charge on specific fixed assets and current assets on pari passu basis with existing term lenders	<b>6,040.29</b>	-
d) Secured by hypothecation of raw materials, work-in-process, finished goods and book debts	<b>1,634.56</b>	590.87
	<b>9,134.98</b>	1,950.86
<b>IV UNSECURED LOANS</b>		
a) From bank - short term	<b>398.15</b>	521.97
b) From others - long term	<b>166.90</b>	166.90
c) - short term	<b>500.00</b>	-
	<b>1,065.05</b>	688.87

Schedules - (Continued)

V FIXED ASSETS

Rupees in Lakhs

Description	Land	Buildings	Plant & machinery	Vehicles	Office equipment	Software	Moulds	Furniture & fittings	Canteen Equipment	Total	
										As at 31.03.2009	As at 31.03.2008
<b>Cost of assets</b>											
As at 01-04-2008	172.28	1,479.30	5,109.80	25.02	567.01	65.96	581.07	80.81	32.84	8,114.09	4,781.78
Additions	753.47	657.04	1,573.16	40.19	132.62	57.59	112.75	76.83	-	3,403.65	3,338.25
Sales/deletion	925.75	2,136.34	6,682.96	65.21	699.63	123.55	693.82	157.64	32.84	11,517.74	8,120.03
	-	-	5.42	-	9.12	-	8.24	-	-	22.78	5.94
<b>Total</b>	925.75	2,136.34	6,677.54	65.21	690.51	123.55	685.58	157.64	32.84	11,494.96	8,114.09
<b>Depreciation</b>											
Upto 31-03-2008	-	253.06	1,951.80	14.91	361.06	60.50	128.49	31.84	12.52	2,814.18	2,283.41
For the year	-	57.35	516.44	3.45	48.39	28.68	28.84	10.59	2.88	696.62	532.93
Withdrawn on assets sold/deleted	-	310.41	2,468.24	18.36	409.45	89.18	157.33	42.43	15.40	3,510.80	2,816.34
	-	-	1.28	-	5.47	-	2.78	-	-	9.53	2.16
<b>Total</b>	-	310.41	2,466.96	18.36	403.98	89.18	154.55	42.43	15.40	3,501.27	2,814.18
<b>Written down value</b>											
As at 31-03-2009	925.75	1,825.93	4,210.58	46.85	286.53	34.37	531.03	115.21	17.44	7,993.69	-
As at 31-03-2008	172.28	1,226.24	3,158.00	10.11	205.95	5.46	452.58	48.97	20.32	5,299.91	5,299.91

As at  
31.03.2009

As at  
31.03.2008

VI CAPITAL WORK-IN-PROGRESS

- a) Building under construction
- b) Machinery under installation

-  
139.97

3.18  
106.98

3.18  
246.95



**Schedules - (Continued)**  
**VII INVESTMENTS (AT COST)**

**a. Non-trade-quoted (Long term) (fully paid)**

Rupees in Lakhs

S.No	Particulars	As at 1st April, 2008	Additions during the year	Sub total	Market value as at 31.03.2009	Provision for Diminution in value	Sales/re-liquidation during the year	Sub total	As at 31st March, 2009
(a)	(b)	(c)	(d)	(e)=(c)+(d)	(f)	(g)=(e)-(f)	(h)	(i)=(g)+(h)	(j)=(e)-(i)
<b>A</b>	<b>DBS Cholamandalam Asset Management, Chennai</b>								
1	3,06,590,379 units in DBS Chola Small Cap Fund-Cumulative	30.67	-	30.67	8.06	22.61	-	22.61	8.06
2	4,13,746,147 units in Hedged Equity Fund- Cumulative	61.15	-	61.15	30.41	30.74	-	30.74	30.41
	<b>Total (A)</b>	<b>91.82</b>	<b>-</b>	<b>91.82</b>	<b>38.47</b>	<b>53.35</b>	<b>-</b>	<b>53.35</b>	<b>38.47</b>
<b>B</b>	<b>SBI Mutual Fund, Chennai</b>								
1	4,25,425,916 units in Magnum Insta Cash Fund-Cash Option	74.56	-	74.56	-	-	74.56	74.56	-
2	1,29,634,431 units in Magnum Equity Fund -Growth	50.00	-	50.00	26.56	23.44	-	23.44	26.56
	<b>Total (B)</b>	<b>124.56</b>	<b>-</b>	<b>124.56</b>	<b>26.56</b>	<b>23.44</b>	<b>74.56</b>	<b>98.00</b>	<b>26.56</b>
<b>C</b>	<b>Birla Sun Life Mutual Fund, Mumbai</b>								
1	6,34,146,341 units in Birla Sunlife Cash Plus - retail - growth	65.00	-	65.00	33.82	31.18	-	31.18	33.82
	<b>Total (C)</b>	<b>65.00</b>	<b>-</b>	<b>65.00</b>	<b>33.82</b>	<b>31.18</b>	<b>-</b>	<b>31.18</b>	<b>33.82</b>
<b>D</b>	<b>HDFC Standard Life Insurance, Mumbai</b>								
1	4,01,655,49 units in HDFC Group Unit Linked Plan- Option B	156.00	-	156.00	131.53	-	-	-	156.00
	<b>Total (D)</b>	<b>156.00</b>	<b>-</b>	<b>156.00</b>	<b>131.53</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>156.00</b>
	<b>Total a = [(A)+(B)+(C)+(D)]</b>	<b>437.38</b>	<b>-</b>	<b>437.38</b>	<b>230.38</b>	<b>107.97</b>	<b>74.56</b>	<b>182.53</b>	<b>254.85</b>

(Aggregate market value of all investments Rs. 230.38 lakhs - Last year Rs.404.48 lakhs)

**b. Trade-unquoted**  
**In subsidiary company :**

1	50,000 equity shares of Rs.10/- each fully paid up in Harita Polymer Ltd., Chennai	-	5.00	5.00	-	-	-	-	5.00
	<b>Total b</b>	<b>-</b>	<b>5.00</b>	<b>5.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5.00</b>
	<b>Grand Total a +b</b>	<b>437.38</b>	<b>5.00</b>	<b>442.38</b>	<b>230.38</b>	<b>107.97</b>	<b>74.56</b>	<b>182.53</b>	<b>259.85</b>

**Schedules - (Continued)**

	<b>As at 31.03.2009</b>	Rupees in lakhs As at 31.03.2008
<b>VIII INVENTORIES (at cost)</b>		
* Raw materials and components	<b>499.96</b>	652.15
* Work-in-process	<b>136.08</b>	137.10
* Finished Goods	<b>132.51</b>	106.69
* Stores	<b>58.79</b>	46.29
Goods in bond	<b>87.53</b>	43.63
	<b>914.87</b>	985.86
* As certified by a director		
<b>IX SUNDRY DEBTORS</b>		
a) Debts outstanding for a period exceeding six months		
- Unsecured considered good	<b>318.61</b>	128.13
- Unsecured considered doubtful	<b>192.66</b>	49.56
	<b>511.27</b>	177.69
Less: Provision for doubtful debts	<b>192.66</b>	49.56
	<b>318.61</b>	128.13
b) Other debts		
- Unsecured considered good [includes due from subsidiary company : Rs. 3,326.97 lakhs] [Last year - Nil-]	<b>5,695.81</b>	2,884.81
	<b>6,014.42</b>	3,012.94
<b>X CASH AND BANK BALANCES</b>		
a) Cash on hand	<b>11.12</b>	144.07
b) With scheduled banks		
1) Current accounts	<b>979.13</b>	105.88
2) Deposit accounts	<b>2.79</b>	2.79
	<b>993.04</b>	252.74
<b>XI OTHER CURRENT ASSETS</b>		
a) Prepaid expenses	<b>76.09</b>	44.61
b) Income-tax deducted at source	<b>2.66</b>	1.71
	<b>78.75</b>	46.32
<b>XII LOANS AND ADVANCES-unsecured considered good</b>		
a) Advances recoverable in cash or in kind or for value to be received	<b>1,525.66</b>	1,354.30
b) Deposits	<b>60.04</b>	46.77
	<b>1,585.70</b>	1,401.07
<b>XIII CURRENT LIABILITIES</b>		
a) Sundry creditors	<b>3,618.56</b>	3,629.45
b) Investors Education and Protection Fund - Unpaid dividend	<b>11.30</b>	10.32
	<b>3,629.86</b>	3,639.77

**Schedules - (Continued)**

	<b>As at/year ended</b>	Rupees in lakhs
	<b>31.03.2009</b>	As at/year ended 31.03.2008
<b>XIV PROVISIONS</b>		
a) Dividend proposed	-	194.23
b) Dividend tax	-	33.01
c) Taxation - Income-tax	<b>388.00</b>	661.00
- Fringe benefit tax	<b>60.81</b>	66.50
d) Warranty	<b>61.03</b>	59.96
e) Leave pay	<b>33.81</b>	37.55
f) Pension	<b>165.79</b>	202.34
g) Others	<b>30.82</b>	79.15
	<b>740.26</b>	1,333.74
<b>XV OTHER INCOME</b>		
a) Scrap sales	<b>60.90</b>	59.67
b) Labour charges received (gross)	<b>0.43</b>	-
c) Interest on deposits and investments (gross) (TDS-Rs.0.28 lakhs) (Last year Rs.0.27 lakhs)	<b>3.33</b>	6.04
d) Profit on sale of assets	<b>0.23</b>	0.01
e) Profit on sale of investments	<b>6.67</b>	91.65
f) Miscellaneous income (see note no.8)	<b>128.75</b>	114.39
	<b>200.31</b>	271.76
<b>XVI RAW MATERIALS AND COMPONENTS CONSUMED</b>		
OPENING STOCK		
Raw materials	<b>652.15</b>	475.66
Work-in-process	<b>137.10</b>	78.08
Finished goods	<b>106.69</b>	55.94
	<b>895.94</b>	609.68
Purchase of raw materials and components	<b>14,885.10</b>	13,979.91
Total (A)	<b>15,781.04</b>	14,589.59
CLOSING STOCK		
Raw materials	<b>499.96</b>	652.15
Work-in-process	<b>136.08</b>	137.10
Finished goods	<b>132.51</b>	106.69
Total (B)	<b>768.55</b>	895.94
Consumption (A) - (B)	<b>15,012.49</b>	13,693.65

**Schedules - (Continued)**

	Year ended 31.03.2009	Rupees in lakhs Year ended 31.03.2008
<b>XVII SALARIES, WAGES, STORES CONSUMED AND OTHER EXPENSES</b>		
a) Salaries, wages and bonus*	<b>1,518.86</b>	1,272.22
b) Contribution to provident and other funds*	<b>113.18</b>	118.36
c) Staff welfare expenses*	<b>255.21</b>	223.32
d) Stores and tools consumed	<b>278.90</b>	228.56
e) Power and fuel*	<b>281.73</b>	236.72
f) Rent*	<b>12.06</b>	16.41
g) Rates and taxes*	<b>39.70</b>	21.63
h) Repairs and maintenance*		
- Building	<b>71.23</b>	66.84
- Machinery	<b>158.33</b>	163.54
- Other assets	<b>53.00</b>	65.79
i) Audit fees - as auditors	<b>6.00</b>	6.00
- tax audit	<b>1.00</b>	1.00
- certification	<b>2.05</b>	0.65
j) Directors' sitting fees	<b>1.45</b>	1.00
k) Insurance	<b>27.88</b>	33.26
l) Other expenses* (see note no.7)	<b>1,541.89</b>	1,454.69
m) Excise duty paid on samples	<b>1.32</b>	0.02
n) Loss on sale of assets	<b>7.15</b>	0.39
o) Provision for diminution in market value of investments	<b>107.97</b>	-
	<b>4,478.91</b>	3,910.40

[\* Net of recoveries]

**XVIII INTEREST**

a) On fixed loans	<b>190.05</b>	130.13
b) On other loans	<b>238.05</b>	156.77
	<b>428.10</b>	286.90

**Schedules - (Continued)**

	<b>As at/year ended 31.03.2009</b>	Rupees in lakhs As at/year ended 31.03.2008
<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) - Prior period items</b>		
- Depreciation relating to previous year (Net of Debit)	<b>(0.30)</b>	-
- Lease Rent	<b>(1.08)</b>	-
- Rates and taxes	<b>0.07</b>	-
- Electricity charges	<b>0.80</b>	-
<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 pro-rata basis on assets acquired/sold during the year.		
Depreciation in respect 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.		
Until the year ended 31 <sup>st</sup> March, 2002, moulds were depreciated by applying rates prescribed 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.		

**Schedules - (Continued)**

	<b>As at/year ended 31.03.2009</b>	Rupees in lakhs As at/year ended 31.03.2008
<b>XIX NOTES ON ACCOUNTS-contd.,</b>		
Until the year ended 31 <sup>st</sup> March, 2002, tools and fixtures were depreciated by applying rates prescribed 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%.		
Depreciation in respect of assets acquired during the year whose actual cost does not exceed Rs.5,000/- has been provided at 100%		
<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>		
The income of the company is derived from manufacture and sale of seating systems for automotive and non automotive applications including railways and other parts and accessories for automotive and non automotive applications. Indigenous sales are recognised based on raising of invoices and delivery of goods to the carrier.		
Export sales are recognised on the basis of date of let export certificate.		
The revenue and expenditure are accounted on a going concern basis.		
Interest income/expenses is recognised using the time proportion method based on rates implicit in the transaction.		
<b>ACCOUNTING STANDARD (10) - Accounting for fixed assets</b>		
Fixed assets including technical knowhow fees are stated at cost less accumulated depreciation		
<b>ACCOUNTING STANDARD (11) - Accounting for 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>0.97</b>	20.21
Foreign currency loan or deposit made outside India	<b>NIL</b>	NIL

**Schedules - (Continued)**

	<b>As at/year ended 31.03.2009</b>	Rupees in lakhs As at/year ended 31.03.2008
<b>XIX NOTES ON ACCOUNTS-contd.,</b>		
<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. Similarly the company did not also have any external commercial borrowing other than for acquisition of capital assets.		
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>		
Diminution in the market value of all investments is provided for other than HDFC Standard Life Insurance units (4,01,655.49 nos), the market value of which is on steady rise now. In respect of other investments the rise in market value is not appreciable.		
<b>ACCOUNTING STANDARD (14) - Accounting for Amalgamation</b>	<b>Not applicable</b>	Not applicable
<b>ACCOUNTING STANDARD (15) - Employee benefits</b>		
A Defined contribution plans		
(a) Contribution to provident fund is in the nature of defined contribution plan and are made to provident fund maintained by Government and in the case of senior staff, to recognised trust maintained by the company.		
(b) Contribution to superannuation fund which is in the nature of defined contribution plan has been remitted into Life Insurance Corporation of India in accordance with the scheme framed by the corporation till last year. In this year the scheme has been discontinued.		
B Defined benefit plan		
(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.		



**Schedules - (Continued)**
**XIX NOTES ON ACCOUNTS-contd.,**

C. Disclosure as required by Accounting Standard 15

	Rupees in lakhs		
	As at / year ended 31.03.2009		
	Leave Salary	Pension	Gratuity
(a) Expenses recognised in the Profit & Loss Account			
(i) Current service cost	9.18	-	14.45
(ii) Interest cost	2.91	18.21	13.29
(iii) Expected return on plan assets	-	-	(14.48)
(iv) Net actuarial loss/(gain) recognised in the year	(5.10)	(54.76)	14.14
Total	<u>6.99</u>	<u>(36.55)</u>	<u>27.40</u>
(b) Change in defined benefit obligation during the year ended 31 <sup>st</sup> March 2009			
(i) Present total value of obligation as at beginning of the year (01-04-2008)	37.54	202.34	166.12
(ii) Interest cost	2.91	18.21	13.29
(iii) Current service cost	9.18	-	14.45
(iv) Benefits paid	(10.72)	-	(17.12)
(v) Actuarial loss on obligation	(5.10)	(54.76)	14.14
(vi) Present value of obligation as at the end of the year (31-03-2009)	33.81	165.79	190.88
(c) Change in fair value of plan assets during the year ended 31 <sup>st</sup> March 2009			
(i) Fair value of plan assets at the beginning of the year (01-04-2008)	-	-	166.12
(ii) Expected return on plan assets	-	-	14.48
(iii) Contributions made during the year	-	-	32.49
(iv) Benefits paid	-	-	(17.12)
(v) Actuarial gain on plan assets	-	-	-
(vi) Fair value of plan assets as at the end of the year (31-03-2009)	-	-	195.97
(d) Balance Sheet movements			
(i) Value of benefit obligations / (net assets) at the beginning of the year (01-04-2008)	37.54	202.34	-
(ii) Contributions made during the year	-	-	(32.49)
(iii) Expenses	6.99	(36.55)	27.40
(iv) Benefits paid	(10.72)	-	-
(v) Value of benefit	33.81	165.79	(5.09)
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	9.00%	9.00%	8.00%
(ii) Expected return on plan assets	Not applicable	Not applicable	8.00%

**Schedules - (Continued)**

	<b>As at/year ended 31.03.2009</b>	Rupees in lakhs As at/year ended 31.03.2008
<b>XIX NOTES ON ACCOUNTS-contd.,</b>		
<b>ACCOUNTING STANDARD (16) - Borrowing cost</b>		
The borrowing cost has been treated in accordance with Accounting Standard issued by The Institute of Chartered Accountants of India. The amount of borrowing cost in respect of qualifying assets are as follows:		
- Land	10.31	-
- Buildings	4.76	-
- Plant & machinery	13.26	-
- Moulds	0.08	-
- Furnitures	0.50	-
- Office equipment	0.94	-
- Computers	0.12	-
- Vehicles	0.55	-
Total	<b>30.52</b>	-
<b>ACCOUNTING STANDARD (17) - Segment reporting</b>		
The operations of the entity relate to manufacture of seating system for automotive & non automotive applications including railways, 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 disclosure</b>		
(i) Key management personnel : Mr S Thiagarajan, "Manager" within the meaning of the provisions of the Companies Act, 1956.		
Nature of transaction : Remuneration: Rs. 48.00 lakhs (Last year : Rs.19.41 Lakhs)		
(ii) Harita Polymer Limited, Chennai (wholly owned subsidiary)		
- Purchase consideration for acquisition of Polyflex India Pvt Ltd's business	3,326.54	-
- Sub-contract charges earned	0.43	-
- Inter-corporate advances given	492.63	-
- Investment made during the year - subsidiary company viz., Harita Polymer Limited, Chennai	5.00	-
<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 statements</b>		
As the company has acquired the entire 50,000 numbers of equity shares in the paid up capital of Harita Polymer Limited, Chennai, it became the subsidiary company.		

**Schedules - (Continued)**

	<b>As at/year ended 31.03.2009</b>	Rupees in lakhs As at/year ended 31.03.2008
<b>XIX NOTES ON ACCOUNTS-contd.,</b>		
Harita Polymer Limited's first financial year is for the period from 09.07.2008 to 31.12.2008.		
Hence the consolidated financial statement presented takes into account the figures of the subsidiary only upto 31.12.2008.		
The subsidiary company has not entered production phase till 31.12.2008 and hence it has not prepared profit and loss account for the period ended 31.12.2008.		
There are no major adjustments necessary to be made for the effect of significant transactions of the subsidiary between 1 <sup>st</sup> January, 2009 and 31 <sup>st</sup> March, 2009 which is the reporting date of the reporting entity.		
The details of transactions with subsidiary company between 1 <sup>st</sup> January, 2009 and 31 <sup>st</sup> March, 2009, are furnished under AS18.		
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>751.02</b>	623.96
- tax on expenses claimed on payment basis under Income-tax Act, 1961	<b>130.14</b>	114.98
<b>(A)</b>	<b>881.16</b>	738.94
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>436.87</b>	376.50
<b>(B)</b>	<b>436.87</b>	376.50
Deferred tax liability (net of deferred tax asset) (refer Balance Sheet)	<b>(A)-(B)</b>	362.44
<b>ACCOUNTING STANDARD (23) - Investment in associates</b>	<b>-Nil-</b>	-Nil-
<b>ACCOUNTING STANDARD (24) - Discontinuing operations</b>		
During the year the company discontinued its manufacturing operations which were carried through contract manufacturing in Jamshedpur. The assets used in the manufacture were moved to Belagondapalli Plant and Pune Plant. The closure does not affect the earnings-generating capacity.		

**Schedules - (Continued)**

	<b>As at/year ended 31.03.2009</b>	Rupees in lakhs As at/year ended 31.03.2008
<b>XIX NOTES ON ACCOUNTS-contd.,</b>		
<b>ACCOUNTING STANDARD (25) - Interim financial reporting</b>		
The company has elected to publish quarterly financial results which were subject to limited review by the statutory auditors.		
<b>ACCOUNTING STANDARD (26) - Intangible assets</b>		
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.		
(1) Software		
- Useful life of the asset	<b>2 years</b>	2 years
- Amortisation rates used	<b>50% each year as depreciation</b>	50% each year as depreciation
- Gross carrying amount at the beginning and at the end of the period		
Opening balance	<b>65.96</b>	55.03
Addition during the year	<b>57.59</b>	10.93
Total	<b>123.55</b>	65.96
Amortised as depreciation	<b>89.18</b>	60.50
Closing balance	<b>34.37</b>	5.46
<b>ACCOUNTING STANDARD (27) - Financial reporting of interest in joint venture</b>		
	Not applicable	Not applicable
<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.		
<b>ACCOUNTING STANDARD (29) - Provisions, contingent liability and contingent asset</b>		
1. Provisions		
In respect of warranty obligations provision is made in accordance with terms of sale of seat assemblies.		
2. Contingent liabilities		
The amount for which the company is contingently liable are disclosed in Note No. 2		
3. Contingent assets which are likely to give rise to the possibility of inflow of economic benefits	<b>-Nil-</b>	-Nil-
4. Contested liabilities are detailed in Note No.3		

**Schedules - (Continued)**

		As at/year ended 31.03.2009	Rupees in lakhs As at/year ended 31.03.2008
<b>XIX</b>	<b>NOTES ON ACCOUNTS-contd.,</b>		
	<b>2. Contingent liabilities not provided for</b>		
	a. On counter guarantee furnished to banks	<b>417.41</b>	310.23
	b. On letters of credit opened with banks	<b>192.00</b>	-
	<b>3. Liability contested and not provided for</b>		
	a) Income tax	<b>0.98</b>	0.98
	b) Service tax	<b>10.38</b>	6.48
	c) Central Excise	<b>4.63</b>	2.18
	d) Sales tax	<b>3.93</b>	-
	<b>4. Deposit includes deposit with Central Excise</b>	<b>1.27</b>	0.73
	<b>5. Sundry creditors include:</b>		
	a) Dues to small scale industrial undertakings	<b>464.48</b>	627.37
	b) Dues of creditors other than small scale industrial undertakings	<b>3,154.08</b>	3,002.08
	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. Acquisition expenses pending allocation</b>	<b>3.01</b>	-
	This relates to certain assets acquired by Pune Division which have not been taken possession as on 31.03.2009. This expenditure along with that incurred after 31 <sup>st</sup> March, 2009 will be capitalised on taking possession of assets.		

**Schedules - (Continued)**

		As at/year ended 31.03.2009	Rupees in lakhs As at/year ended 31.03.2008
<b>XIX</b>	<b>NOTES ON ACCOUNTS-contd.,</b>		
	<b>7. Other expenses include:</b>		
	a) reimbursement of expenses to auditors	<b>3.50</b>	3.51
	b) legal & retainer fees	<b>197.59</b>	192.00
	c) carriage outwards	<b>668.64</b>	637.77
	d) warranty claims	<b>11.53</b>	14.08
	e) commission	<b>114.04</b>	102.53
	f) cash discount	<b>5.78</b>	0.21
	<b>8. Miscellaneous income under other income includes:</b>		
	a) packing cost recoveries	<b>0.32</b>	0.40
	b) profit on sale of fixed assets	<b>0.23</b>	-
	c) dividend income	-	0.52
	<b>9. Building (cost Rs. 306.87 lakhs)</b> (last year Rs. 288.94 lakhs) is situated on leasehold land allotted by Maharashtra Industrial Development Corporation Limited, Mumbai. The lease deed is yet to be executed while agreement to lease has been concluded.		
	<b>10. Cash &amp; bank balances include:</b>		
	a) Cheques on hand	<b>5.30</b>	141.06
	b) Unpaid dividend	<b>11.30</b>	10.32
	<b>11. Expenses, wherever applicable are inclusive of service tax at appropriate rates and net off service tax set off permissible.</b>		
	<b>12. R &amp; D revenue expenses</b>		
	a) Salary	<b>219.94</b>	104.86
	b) Testing charges	<b>37.27</b>	20.24
	c) Design development charges	<b>7.14</b>	29.96
	d) Travel expenses	<b>4.95</b>	6.17
	<b>13. R &amp; D capital expenditure</b>		
	a) Plant and machinery	-	2.95
	b) Office equipment (computers)	<b>98.01</b>	25.85

**Schedules - (Continued)**

Rupees in lakhs

**As at/year ended**      As at/year ended  
**31.03.2009**                      31.03.2008

**XIX NOTES ON ACCOUNTS-contd.,**
**14. Managerial remuneration includes :-**

a) Salary	<b>45.05</b>	14.33
b) Contribution to provident and other funds	<b>2.65</b>	0.58
c) Performance linked incentive	<b>2.95</b>	4.50

The total remuneration paid to managerial personnel is Rs.51.77 lakhs. As this is in excess of limit prescribed by remuneration committee on 14<sup>th</sup> July, 2009 viz., Rs.48 lakhs the excess amount paid viz., Rs.3.77 lakhs is displayed as due from the managerial personnel and the same has been recovered subsequent to the date of Balance Sheet.

**15. Loans and advances include:-**

a) Advance due from an officer of the company	<b>3.77</b>	-
b) Maximum amount due from an officer of the company at any time during the year	<b>3.77</b>	-
c) Inter-corporate advance to subsidiary company	<b>492.63</b>	-

**16. In view of loss incurred during the year no provision for income-tax is made.**
**17. Disclosure made in terms of clause 32 and clause 41 of the listing agreement with stock exchanges**

Rupees in lakhs

Particulars	Name of the Company	Amount outstanding as on 31.3.2009	Maximum amount due at any one time during the year	Amount outstanding as on 31.3.2008
<b>a) Loans and advances made</b>				
<b>(i) Inter-corporate deposit granted to subsidiary. Repayment schedule is yet to be agreed upon.</b>	Harita Polymer Limited, Chennai	492.63	492.63	Nil
<i>The above inter-corporate deposit is interest free</i>				
<b>(ii) Loans and advances in the nature of loans made to associate company</b>	Not applicable	Not applicable	Not applicable	Not applicable
<b>(iii) Loans and advances in the nature of loans where there is</b>				
1) no repayment schedule or repayment beyond seven years (or)	Nil	Nil	Nil	Nil
2) no interest below section 372A of the Companies Act	Nil	Nil	Nil	Nil
<b>(iv) Loans and advances in the nature of loans made to firms/companies in which directors of the company are interested</b>	Not applicable	Not applicable	Not applicable	Not applicable
<b>(b) Investments by the company</b>				
(i) In subsidiary company	Harita Polymer Limited, Chennai (50,000 Equity shares of Rs.10/- each fully paid up)	5.00	5.00	-Nil-



**Schedules - (Continued)**
**XIX NOTES ON ACCOUNTS-contd.,**

18. Information pursuant to the provisions of Part II of Schedule VI of the Companies Act, 1956 (Vide Notification dated 30th October 1973 of the Department of Company Affairs, Government of India).

Rupees in lakhs

**I RAW MATERIALS CONSUMED**

A. Basic raw materials	Unit	Year ended 31.03.2009		Year ended 31.03.2008	
		Quantity	Value	Quantity	Value
a) Polyol	Kgs	10,75,917	1,412.87	11,11,168	1,341.94
b) Isocyanate	Kgs	6,65,989	822.67	6,56,980	743.59
c) Others (which include sheets, tubes, upholstery materials etc., which individually do not account for 10% or more of the total value of consumption)			12,801.75		11,717.89
			<u>15,037.29</u>		<u>13,803.42</u>

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

	% of total consumption	Value	% of total consumption	Value
a) Imported	8.78	1,319.78	6.14	847.55
b) Indigenous	91.22	13,717.51	93.86	12,955.87
	<u>100.00</u>	<u>15,037.29</u>	<u>100.00</u>	<u>13,803.42</u>

**C. Consumption of machinery spares**

	% of total consumption	Value	% of total consumption	Value
a) Imported	13.68	21.66	10.27	16.79
b) Indigenous	86.32	136.67	56.73	92.78
c) Labour charges	-	-	33.00	53.97
	<u>100.00</u>	<u>158.33</u>	<u>100.00</u>	<u>163.54</u>

**II IMPORTS - CIF VALUE**

a) Raw materials & components	1,106.73	796.19
b) Capital goods	68.22	29.61
c) Spares	94.00	10.91

**Schedules - (Continued)**

	<b>Year ended 31.03.2009</b>	Rupees in lakhs Year ended 31.03.2008		
<b>XIX NOTES ON ACCOUNTS-contd.,</b>				
<b>III OTHER EXPENDITURE IN FOREIGN EXCHANGE</b>				
a) Travel	<b>7.63</b>	13.63		
b) Consultancy fee	<b>8.30</b>	123.12		
c) Others	<b>22.30</b>	12.05		
<b>IV EARNINGS IN FOREIGN EXCHANGE</b>				
Exports - F.O.B	<b>1262.29</b>	1,157.14		
<b>V PAYMENT TO NON-RESIDENT SHAREHOLDERS</b>				
a) No. of non-resident shareholders	<b>1</b>	-		
b) No. of shares held by non-residents	<b>10,87,600</b>	-		
c) Dividend	<b>27.19</b>	-		
	<small>(relating to the year 2007 - 08)</small>			
<b>VI SALE BY CLASS OF GOODS</b>				
	<b>Quantity (Nos.)</b>	<b>Value</b>	<b>Quantity (Nos.)</b>	<b>Value</b>
Seat for automotive application	<b>23,90,838</b>	<b>19,470.93</b>	24,58,286	18,944.18
Others		<b>154.25</b>		160.69
		<b>19,625.18</b>		<b>19,104.87</b>

**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)**

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

	<b>Year ended 31.03.2009</b>		Rupees in lakhs Year ended 31.03.2008	
	<b>Quantity (Nos.)</b>	<b>Value</b>	Quantity (Nos.)	Value
<b>VIII OPENING AND CLOSING STOCK OF GOODS PRODUCED</b>				
<b>a. Seats for automotive application</b>				
Opening stock	<b>11,861</b>	<b>106.50</b>	4,666	54.15
Add: Production/purchase meant for sale	<b>23,93,193</b>		24,65,481	
Available for sale	<b>24,05,054</b>		24,70,147	
Less: Closing stock	<b>14,216</b>	<b>132.51</b>	11,861	106.50
Sales	<b>23,90,838</b>		24,58,286	
<b>b. Spares</b>				
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	S THIAGARAJAN Manager cum President	As per our report annexed For SUNDARAM & SRINIVASAN Chartered Accountants
Chennai 27 <sup>th</sup> July, 2009		S SRINIVASAN General Manager - Finance & Secretary	M. BALASUBRAMANIAM Partner Membership No.F7945

**Cash flow statement for the year ended 31<sup>st</sup> March, 2009**

	Year ended 31.03.2009	Rupees in lakhs Year ended 31.03.2008
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before tax and extra ordinary items	<b>(790.93)</b>	952.75
Add:		
Depreciation	<b>696.92</b>	532.93
Depreciation on assets sold	<b>(9.53)</b>	(2.16)
Diminution in the market value of investments	<b>107.97</b>	
Income-tax relating to earlier years	<b>16.63</b>	2.81
Dividend income	-	(0.52)
Interest income	<b>(3.33)</b>	(6.04)
Interest expenditure	<b>428.10</b>	286.90
	<b>1,236.76</b>	813.92
Operating profit before working capital changes	<b>445.83</b>	1,766.67
Adjustments for:		
Interest accrued	<b>(0.26)</b>	2.48
Inventory	<b>70.99</b>	(258.17)
Trade receivables	<b>(3,001.48)</b>	(150.48)
Loans and advances	<b>(184.63)</b>	208.03
Other current assets	<b>(32.43)</b>	(13.28)
Trade payables and provisions	<b>(603.39)</b>	973.02
	<b>(3,751.20)</b>	761.60
Cash generated from operations	<b>(3,305.37)</b>	2,528.27
Direct tax paid	<b>(19.31)</b>	(182.46)
	<b>(19.31)</b>	(182.46)
Net cash from operating activities -(A)	<b>(3,324.68)</b>	2,345.81
<b>B CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	<b>(3,162.89)</b>	(1,702.93)
Sale of fixed assets	<b>22.78</b>	5.94
Purchase of investments	<b>(5.00)</b>	(1,272.04)
Sale of investments	<b>74.56</b>	1,184.66
Interest received	<b>3.33</b>	6.04
Dividend received	-	0.52
	<b>(3,067.22)</b>	(1,777.81)
Net cash used in investing activities -(B)	<b>(3,067.22)</b>	(1,777.81)

**Cash flow statement for the year ended 31<sup>st</sup> March, 2009**

	<b>Year ended 31.03.2009</b>	Rupees in lakhs Year ended 31.03.2008
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>		
Secured loans	<b>7,184.12</b>	(70.15)
Unsecured loans	<b>376.18</b>	(415.74)
Interest paid	<b>(428.10)</b>	(286.90)
	<b>7,132.20</b>	(772.79)
Net cash from financing activities -(C)	<b>7,132.20</b>	(772.79)
<b>D NET INCREASE IN CASH AND CASH EQUIVALENTS (A)+(B)+(C)</b>	<b>740.30</b>	(204.79)
Cash and cash equivalents at the beginning of the year	<b>252.74</b>	457.53
Cash and cash equivalents at the end of the year	<b>993.04</b>	252.74

**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 represents cash and bank balances.**

H LAKSHMANAN Chairman	C N PRASAD Director	S THIAGARAJAN Manager cum President	As per our report annexed For SUNDARAM & SRINIVASAN Chartered Accountants
Chennai 27 <sup>th</sup> July, 2009		S SRINIVASAN General Manager - Finance & Secretary	M. BALASUBRAMANIAM Partner Membership No.F7945

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

**I REGISTRATION DETAILS**

Registration no. 

		1	8	-	3	5	2	9	3
--	--	---	---	---	---	---	---	---	---

 Date: 

2	4	.	4	.	9	6
---	---	---	---	---	---	---

Balance sheet date: 

3	1		0	3		2	0	0	9
---	---	--	---	---	--	---	---	---	---

 State code: 

1	8
---	---

Date                      Month                      Year

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

Public issue: 

N	I	L		
---	---	---	--	--

 Rights issue: 

N	I	L		
---	---	---	--	--

Bonus issue: 

N	I	L		
---	---	---	--	--

 Private Placement: 

N	I	L		
---	---	---	--	--

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

Total liabilities: 

1	3	4	7	7	0	0
---	---	---	---	---	---	---

 Total assets: 

1	3	4	7	7	0	0
---	---	---	---	---	---	---

**Source of Funds**

Paid up capital	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>7</td><td>7</td><td>6</td><td>9</td><td>0</td></tr></table>		7	7	6	9	0	Reserves & surplus	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>2</td><td>0</td><td>5</td><td>5</td><td>7</td><td>8</td></tr></table>	2	0	5	5	7	8
	7	7	6	9	0										
2	0	5	5	7	8										
Secured loans	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>9</td><td>1</td><td>3</td><td>4</td><td>9</td><td>8</td></tr></table>	9	1	3	4	9	8	Unsecured loans	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>1</td><td>0</td><td>6</td><td>5</td><td>0</td><td>5</td></tr></table>	1	0	6	5	0	5
9	1	3	4	9	8										
1	0	6	5	0	5										
Deferred tax	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>4</td><td>4</td><td>4</td><td>2</td><td>9</td></tr></table>		4	4	4	2	9								
	4	4	4	2	9										

**Application of funds**

Net fixed assets	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>7</td><td>9</td><td>9</td><td>9</td><td>8</td><td>8</td></tr></table>	7	9	9	9	8	8	Investments	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>2</td><td>5</td><td>9</td><td>8</td><td>5</td></tr></table>		2	5	9	8	5
7	9	9	9	8	8										
	2	5	9	8	5										
Net current assets	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>5</td><td>2</td><td>1</td><td>7</td><td>2</td><td>7</td></tr></table>	5	2	1	7	2	7	Misc.expenses	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td></tr></table>				N	I	L
5	2	1	7	2	7										
			N	I	L										
Accumulated loss	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr></table>														

**IV PERFORMANCE OF THE COMPANY (Amount Rs. in thousand)**

Turnover (includes other income)	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>1</td><td>9</td><td>8</td><td>2</td><td>5</td><td>4</td><td>9</td></tr></table>	1	9	8	2	5	4	9	Total expenditure	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>2</td><td>0</td><td>6</td><td>1</td><td>6</td><td>4</td><td>2</td></tr></table>	2	0	6	1	6	4	2
1	9	8	2	5	4	9											
2	0	6	1	6	4	2											
Loss before tax	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>7</td><td>9</td><td>0</td><td>9</td><td>3</td></tr></table>		7	9	0	9	3	Loss after tax	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>8</td><td>9</td><td>2</td><td>0</td><td>9</td></tr></table>		8	9	2	0	9		
	7	9	0	9	3												
	8	9	2	0	9												
Earnings per share Rs	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>-</td><td>1</td><td>1</td><td>.</td><td>4</td><td>8</td></tr></table>	-	1	1	.	4	8	Dividend rate	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td></tr></table>				N	I	L		
-	1	1	.	4	8												
			N	I	L												

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

Item code no. 

			8	7	0	8
--	--	--	---	---	---	---

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**

S.No	Name of the subsidiary	Harita Polymer Limited
(1)	(2)	(3)
1	Financial year of the subsidiary	09.07.2008 - 31.12.2008
2	Shares of the subsidiary held by the Company on the above date	50,000 Equity shares of Rs.10/- each fully paid up
	(a) Number and face value	
	(b) Extent of holding	100%
3	Net aggregate amount of profits/(losses) of the subsidiary for the above financial year of the subsidiary not dealt with in the Company's account	The subsidiary has not entered production phase as on 31.12.2008. Hence no Profit and Loss Account is prepared.
	(a) for the financial year of the subsidiary - profit/(loss)	
	(b) for the previous financial years since it became a subsidiary - Profit/(loss)	
4	Net aggregate amount of profits/(losses) of the subsidiary for the above financial year of the subsidiary dealt with in the Company's account	Hence no Profit and Loss Account is prepared.
	(a) for the financial year of the subsidiary - profit/(loss)	
	(b) for the previous financial years since it became a subsidiary - Profit/(loss)	
5	Change of interest of the Company in the subsidiary between the end of the financial year of the subsidiary and the financial year of the Company	Not applicable
6.	Material changes between the end of the financial year of the subsidiary and the end of the financial year of the Company	
	i) Fixed assets	Rs. 40.09 Crores
	ii) Investments	-
	iii) Money lent	-
	iv) Borrowings other than for meeting current liabilities	Rs. 33.27 Crores

H LAKSHMANAN  
Chairman

C N PRASAD  
Director

S THIAGARAJAN  
Manager cum President

Chennai  
27<sup>th</sup> July, 2009

S SRINIVASAN  
General Manager - Finance & Secretary

### AUDITORS' REPORT ON CONSOLIDATED ACCOUNTS

We have audited the attached consolidated Balance Sheet of Harita Seating Systems Limited, Chennai and its subsidiary viz., Harita Polymer Limited, Chennai, as at 31<sup>st</sup> March, 2009, and also the related 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 conducted our audit in accordance with generally accepted auditing standards 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 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 Statement".

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 Harita Seating Systems Limited, Chennai and its subsidiary named above as at 31<sup>st</sup> March, 2009 and of their cash flows for the year ended in conformity with generally accepted accounting principles in India.

For Sundaram & Srinivasan  
Chartered Accountants

Chennai  
27<sup>th</sup> July, 2009

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, 2009

		Schedule Number	As at 31.03.2009	Rupees in Lakhs	
				As at 31.03.2008	
<b>I SOURCES OF FUNDS:</b>					
<b>1. Shareholders' funds</b>					
a) Capital	I	<b>776.90</b>	776.90		
b) Reserves and Surplus	II	<b>2,055.78</b>	2,930.94		3,707.84
			<b>2,832.68</b>		
<b>2. Loan funds</b>					
a) Secured loans	III	<b>9,134.98</b>	1,950.86		
b) Unsecured loans	IV	<b>1,065.05</b>	688.87		
			<b>10,200.03</b>		2,639.73
<b>3. Deferred tax liability</b> (net of deferred tax asset) [vide Notes on Accounts under AS 22]					
			<b>444.29</b>		362.44
TOTAL			<b>13,477.00</b>		6,710.01
<b>II APPLICATION OF FUNDS:</b>					
<b>1. Fixed assets</b>					
a) Gross block	V	<b>11,494.96</b>	8,114.09		
b) Less: depreciation		<b>3,501.27</b>	2,814.18		
c) Net block			<b>7,993.69</b>		5,299.91
d) Capital work-in-progress	VI		<b>3.18</b>		246.95
e) Acquisition expenditure pending allocation [vide Note No.6]			<b>3.01</b>		-
			<b>254.85</b>		437.38
<b>2. Investments</b>					
<b>3. Current assets, loans and advances:</b>					
a) Interest accrued on deposits		<b>0.61</b>	0.35		
b) Inventories	VIII	<b>914.87</b>	985.86		
c) Sundry debtors	IX	<b>6,014.42</b>	3,012.94		
d) Cash and bank balances	X	<b>997.90</b>	252.74		
e) Other current assets	XI	<b>78.75</b>	46.32		
f) Loans and advances	XII	<b>1,585.70</b>	1,401.07		
TOTAL (A)			<b>9,592.25</b>	5,699.28	
<b>Less: Current liabilities and provisions:</b>					
a) Current liabilities	XIII	<b>3,630.04</b>	3,639.77		
b) Provisions	XIV	<b>740.26</b>	1,333.74		
TOTAL (B)			<b>4,370.30</b>	4,973.51	
Net current assets (A)-(B)			<b>5,221.95</b>		725.77
<b>4. Miscellaneous expenditure (to the extent not written off or adjusted)</b>					
- Preliminary expenses			<b>0.32</b>		-
TOTAL			<b>13,477.00</b>		6,710.01

#### Notes on accounts

#### XV

H LAKSHMANAN Chairman	C N PRASAD Director	S THIAGARAJAN Manager cum President	As per our report annexed For SUNDARAM & SRINIVASAN Chartered Accountants
Chennai 27 <sup>th</sup> July, 2009		S SRINIVASAN General Manager - Finance & Secretary	M. BALASUBRAMANIAM Partner Membership No.F7945

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

### Schedules

	As at 31.03.2009	Rupees in Lakhs As at 31.03.2008
<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>
[Out of the above 77,69,040 Equity shares, 38,84,520 Equity shares were allotted by capitalisation of General Reserve to the extent of Rs. 388.45 lakhs]		
<b>II RESERVES AND SURPLUS</b>		
a) State Subsidy	15.00	15.00
b) General reserve		
As per last balance sheet	2,675.00	2,638.45
Less: Balance in profit & loss account	<u>644.22</u>	<u>-</u>
	2,030.78	2,638.45
Less: Amount capitalised by issue of Bonus Shares	<u>-</u>	<u>388.45</u>
	2,030.78	389.42
Add: Transfer from Profit and Loss account	<u>-</u>	<u>425.00</u>
	2,030.78	2,675.00
c) Capital redemption reserve	10.00	10.00
d) Surplus i.e		
Balance in profit and loss account	<u>-</u>	<u>230.94</u>
	<u>2,055.78</u>	<u>2,930.94</u>
<b>III SECURED LOANS</b>		
From banks		
a) Secured by a first charge on fixed assets of the company	910.13	1,359.99
b) Secured by sole charge of specific fixed assets of the company	550.00	-
c) Secured by equitable mortgage of land and buildings at Velanthangal village, Thandalam and at Bommasandra Industrial layout, Bangalore and first charge on specific fixed assets and current assets on pari passu basis with existing term lenders.	6,040.29	-
d) Secured by hypothecation of raw materials, work-in-process, finished goods and book debts.	<u>1,634.56</u>	<u>590.87</u>
	<u>9,134.98</u>	<u>1,950.86</u>
<b>IV UNSECURED LOANS</b>		
a) From bank - short term	398.15	521.97
b) From others - long term	166.90	166.90
- short term	<u>500.00</u>	<u>-</u>
	<u>1,065.05</u>	<u>688.87</u>

## Schedules - (Continued)

## V FIXED ASSETS

Rupees in Lakhs

Description	Total											
	Land	Buildings	Plant & machinery	Vehicles	Office equipment	Software	Moulds	Furniture & fittings	Canteen Equipment	As at 31.03.2009	As at 31.03.2008	
<b>Cost of assets</b>												
As at 01-04-2008	172.28	1,479.30	5,109.80	25.02	567.01	65.96	581.07	80.81	32.84	<b>8,114.09</b>	4,781.78	
Additions	753.47	657.04	1,573.16	40.19	132.62	57.59	112.75	76.83	-	<b>3,403.65</b>	3,338.25	
Sales / deletion	925.75	2,136.34	6,682.96	65.21	699.63	123.55	693.82	157.64	32.84	<b>11,517.74</b>	8,120.03	
	-	-	5.42	-	9.12	-	8.24	-	-	<b>22.78</b>	5.94	
<b>Total</b>	925.75	2,136.34	6,677.54	65.21	690.51	123.55	685.58	157.64	32.84	<b>11,494.96</b>	8,114.09	
<b>Depreciation</b>												
Upto 31-03-2008	-	253.06	1,951.80	14.91	361.06	60.50	128.49	31.84	12.52	<b>2,814.18</b>	2,283.41	
For the year	-	57.35	516.44	3.45	48.39	28.68	28.84	10.59	2.88	<b>696.62</b>	532.93	
Withdrawn on assets sold/deleted	-	310.41	2,468.24	18.36	409.45	89.18	157.33	42.43	15.40	<b>3,510.80</b>	2,816.34	
	-	-	1.28	-	5.47	-	2.78	-	-	<b>9.53</b>	2.16	
<b>Total</b>	-	310.41	2,466.96	18.36	403.98	89.18	154.55	42.43	15.40	<b>3,501.27</b>	2,814.18	
<b>Written down value</b>												
As at 31-03-2009	925.75	1,825.93	4,210.58	46.85	286.53	34.37	531.03	115.21	17.44	<b>7,993.69</b>	-	
As at 31-03-2008	172.28	1,226.24	3,158.00	10.11	205.95	5.46	452.58	48.97	20.32		5,299.91	

As at  
31.03.2009As at  
31.03.2008

## VI CAPITAL WORK-IN-PROGRESS

- a) Building under construction  
b) Machinery under installation

As at  
3.18As at  
139.97  
106.983.18246.95

**Schedules - (Continued)**  
**VII INVESTMENTS (AT COST)**

**a. Non-trade-quoted (Long term) (fully paid)**

Rupees in Lakhs

S.No	Particulars	As at 1 <sup>st</sup> April,2008	Additions during the year	Sub total (e)=(c)+(d)	Market value as at 31.03.2009	Provision for Diminution in value	Sales/ realisation during the year	Sub total (i)=(g)+(h)	As at 31 <sup>st</sup> March,2009
(a)	(b)	(c)	(d)	(e)=(c)+(d)	(f)	(g)=(e)-(f)	(h)	(i)=(g)+(h)	(j)=(e)-(i)
<b>A</b>	<b>DBS Cholamandalam Asset Management, Chennai</b>								
1	3,06,590.379 units in DBS Chola Small Cap Fund-Cumulative	30.67	-	30.67	8.06	22.61	-	22.61	8.06
2	4,13,746.147 units in Hedged Equity Fund- Cumulative	61.15	-	61.15	30.41	30.74	-	30.74	30.41
	<b>Total (A)</b>	<b>91.82</b>	<b>-</b>	<b>91.82</b>	<b>38.47</b>	<b>53.35</b>	<b>-</b>	<b>53.35</b>	<b>38.47</b>
<b>B</b>	<b>SBI Mutual Fund, Chennai</b>								
1	4,25,425.916 units in Magnum Insta Cash Fund-Cash Option	74.56	-	74.56	-	-	74.56	74.56	-
2	1,29,634.431 units in Magnum Equity Fund -Growth	50.00	-	50.00	26.56	23.44	-	23.44	26.56
	<b>Total (B)</b>	<b>124.56</b>	<b>-</b>	<b>124.56</b>	<b>26.56</b>	<b>23.44</b>	<b>74.56</b>	<b>98.00</b>	<b>26.56</b>
<b>C</b>	<b>Birla Sun Life Mutual Fund, Mumbai</b>								
1	6,34,146.341 units in Birla Sunlife Cash Plus - retail - growth	65.00	-	65.00	33.82	31.18	-	31.18	33.82
	<b>Total (C)</b>	<b>65.00</b>	<b>-</b>	<b>65.00</b>	<b>33.82</b>	<b>31.18</b>	<b>-</b>	<b>31.18</b>	<b>33.82</b>
<b>D</b>	<b>HDFC Standard Life Insurance, Mumbai</b>								
1	4,01,655.49 units in HDFC Group Unit Linked Plan- Option B	156.00	-	156.00	131.53	-	-	-	156.00
	<b>Total (D)</b>	<b>156.00</b>	<b>-</b>	<b>156.00</b>	<b>131.53</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>156.00</b>
	<b>Total a = [(A)+(B)+(C)+(D)]</b>	<b>437.38</b>	<b>-</b>	<b>437.38</b>	<b>230.38</b>	<b>107.97</b>	<b>74.56</b>	<b>182.53</b>	<b>254.85</b>

(Aggregate market value of all investments Rs. 230.38 lakhs - Last year Rs.404.48 lakhs)

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

### Schedules - (Continued)

	As at 31.03.2009	Rupees in lakhs As at 31.03.2008
<b>VIII INVENTORIES (at cost)</b>		
* Raw materials and components	499.96	652.15
* Work-in-process	136.08	137.10
* Finished Goods	132.51	106.69
* Stores	58.79	46.29
Goods in bond	87.53	43.63
	<b>914.87</b>	<b>985.86</b>
* As certified by a director		
<b>IX SUNDRY DEBTORS</b>		
a) Debts outstanding for a period exceeding six months		
- Unsecured considered good	318.61	128.13
- Unsecured considered doubtful	192.66	49.56
	<b>511.27</b>	177.69
Less: Provision for doubtful debts	192.66	49.56
	<b>318.61</b>	128.13
b) Other debts		
- Unsecured considered good [includes due from subsidiary company : Rs. 3,326.97 lakhs] [Last year - Nil-]	5,695.81	2,884.81
	<b>6,014.42</b>	3,012.94
<b>X CASH AND BANK BALANCES</b>		
a) Cash on hand	11.12	144.07
b) With scheduled banks		
1) Current accounts	983.99	105.88
2) Deposit accounts	2.79	2.79
	<b>997.90</b>	252.74
<b>XI OTHER CURRENT ASSETS</b>		
a) Prepaid expenses	76.09	44.61
b) Income-tax deducted at source	2.66	1.71
	<b>78.75</b>	46.32
<b>XII LOANS AND ADVANCES-unsecured considered good</b>		
a) Advances recoverable in cash or in kind or for value to be received	1,525.66	1,354.30
b) Deposits	60.04	46.77
	<b>1,585.70</b>	1,401.07
<b>XIII CURRENT LIABILITIES</b>		
a) Sundry creditors	3,618.74	3,629.45
b) Investors Education and Protection Fund		
- Unpaid dividend	11.30	10.32
	<b>3,630.04</b>	3,639.77

**Schedules - (Continued)**

	<b>As at/year ended 31.03.2009</b>	Rupees in lakhs As at/year ended 31.03.2008
<b>XIV PROVISIONS</b>		
a) Dividend proposed	-	194.23
b) Dividend tax	-	33.01
c) Taxation - Income-tax	<b>388.00</b>	661.00
- Fringe benefit tax	<b>60.81</b>	66.50
d) Warranty	<b>61.03</b>	59.96
e) Leave pay	<b>33.81</b>	37.55
f) Pension	<b>165.79</b>	202.34
g) Others	<b>30.82</b>	79.15
	<b><u>740.26</u></b>	<u>1,333.74</u>

**XV 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 Harita Seating Systems Limited, Chennai and its subsidiary viz., Harita Polymer Limited, Chennai
- (ii) The 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 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 statement is furnished below:

a)	Name of the company:	Harita Polymer Limited, Chennai
b)	Country of incorporation:	India
c)	Proportion of ownership (interest/voting power-%):	100%
d)	Reporting date:	31.12.2008
e)	Difference in reporting date:	3 months

**Schedules - (Continued)**

	<b>As at/year ended 31.03.2009</b>	Rupees in lakhs As at/year ended 31.03.2008
<b>XV NOTES ON ACCOUNTS</b>		
<b>2 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) - Prior period items</b>		
- Depreciation relating to previous year (Net of Debit)	<b>(0.30)</b>	-
- Lease Rent	<b>(1.08)</b>	-
- Rates and taxes	<b>0.07</b>	-
- Electricity charges	<b>0.80</b>	-
<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 pro-rata basis on assets acquired/sold during the year.		
Depreciation in respect of computers and vehicles has been provided at 30% and 18% respectively which is higher than the rate prescribed under schedule XIV of the Companies Act, 1956.		
Until the year ended 31 <sup>st</sup> March, 2002, Moulds were depreciated by applying rates prescribed 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.		

**Schedules - (Continued)**

	<b>As at/year ended 31.03.2009</b>	Rupees in lakhs As at/year ended 31.03.2008
<b>XV NOTES ON ACCOUNTS-contd.,</b>		
Until the year ended 31 <sup>st</sup> March, 2002, tools and fixtures were depreciated by applying rates prescribed 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%.		
Depreciation in respect of assets acquired during the year whose actual cost does not exceed Rs.5,000/- has been provided at 100%.		
<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>		
The income of the company is derived from manufacture and sale of seating systems for automotive and non automotive applications including railways and other parts and accessories for automotive and non automotive applications. Indigenous sales are recognised based on raising of invoices and delivery of goods to the carrier.		
Export sales are recognised on the basis of date of let export certificate.		
The revenue and expenditure are accounted on a going concern basis.		
Interest income/expenses is recognised using the time proportion method based on rates implicit in the transaction.		
<b>ACCOUNTING STANDARD (10) - Accounting for fixed assets</b>		
Fixed assets including technical knowhow fees are stated at cost less accumulated depreciation.		
<b>ACCOUNTING STANDARD (11) - Accounting for 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>0.97</b>	20.21
Foreign currency loan or deposit made outside India	<b>NIL</b>	NIL



**Schedules - (Continued)**

	<b>As at/year ended 31.03.2009</b>	Rupees in lakhs As at/year ended 31.03.2008
<b>XV NOTES ON ACCOUNTS-contd.,</b>		
<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.		
Similarly the company did not also have any external commercial borrowing other than for acquisition of capital assets.		
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>		
Diminution in the market value of all investments is provided for other than HDFC Standard Life Insurance units (4,01,655.49 nos), the market value of which is on steady rise now.		
In respect of other investments the rise in market value is not appreciable.		
<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 plans</b>		
(a) Contribution to provident fund is in the nature of defined contribution plan and are made to provident fund maintained by Government and in the case of senior staff, to recognised trust maintained by the company.		
(b) Contribution to superannuation fund which is in the nature of defined contribution plan has been remitted into Life Insurance Corporation of India in accordance with the scheme framed by the corporation till last year. In this year the scheme has been discontinued.		
<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.		

**Schedules - (Continued)**

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

C. Disclosure as required by Accounting Standard 15

	Rupees in lakhs		
	As at / year ended 31.03.2009		
	Leave Salary	Pension	Gratuity
(a) Expenses recognised in the Profit & Loss Account			
(i) Current service cost	9.18	-	14.45
(ii) Interest cost	2.91	18.21	13.29
(iii) Expected return on plan assets	-	-	(14.48)
(iv) Net actuarial loss/(gain) recognised in the year	(5.10)	(54.76)	14.14
Total	<u>6.99</u>	<u>(36.55)</u>	<u>27.40</u>
(b) Change in defined benefit obligation during the year ended 31 <sup>st</sup> March 2009			
(i) Present total value of obligation as at beginning of the year (01-04-2008)	37.54	202.34	166.12
(ii) Interest cost	2.91	18.21	13.29
(iii) Current service cost	9.18	-	14.45
(iv) Benefits paid	(10.72)	-	(17.12)
(v) Actuarial loss on obligation	(5.10)	(54.76)	14.14
(vi) Present value of obligation as at the end of the year (31-03-2009)	33.81	165.79	190.88
(c) Change in fair value of plan assets during the year ended 31 <sup>st</sup> March 2009			
(i) Fair value of plan assets at the beginning of the year (01-04-2008)	-	-	166.12
(ii) Expected return on plan assets	-	-	14.48
(iii) Contributions made during the year	-	-	32.49
(iv) Benefits paid	-	-	(17.12)
(v) Actuarial gain on plan assets	-	-	-
(vi) Fair value of plan assets as at the end of the year (31-03-2009)	-	-	195.97
(d) Balance Sheet movements			
(i) Value of benefit obligations / (net assets) at the beginning of the year (01-04-2008)	37.54	202.34	-
(ii) Contributions made during the year	-	-	(32.49)
(iii) Expenses	6.99	(36.55)	27.40
(iv) Benefits paid	(10.72)	-	-
(v) Value of benefit	33.81	165.79	(5.09)
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	9.00%	9.00%	8.00%
(ii) Expected return on plan assets	Not applicable	Not applicable	8.00%

**Schedules - (Continued)**

	<b>As at/year ended 31.03.2009</b>	Rupees in lakhs As at/year ended 31.03.2008
<b>XV NOTES ON ACCOUNTS-contd.,</b>		
<b>ACCOUNTING STANDARD (16) - Borrowing cost</b>		
The borrowing cost has been treated in accordance with Accounting Standard issued by The Institute of Chartered Accountants of India. The amount of borrowing cost in respect of qualifying assets are as follows:		
- Land	<b>10.31</b>	-
- Buildings	<b>4.76</b>	-
- Plant & machinery	<b>13.26</b>	-
- Moulds	<b>0.08</b>	-
- Furnitures	<b>0.50</b>	-
- Office equipment	<b>0.94</b>	-
- Computers	<b>0.12</b>	-
- Vehicles	<b>0.55</b>	-
Total	<b>30.52</b>	-
<b>ACCOUNTING STANDARD (17) - Segment reporting</b>		
The operations of the entity relate to manufacture of seating system for automotive & non automotive applications including railways, 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 disclosure</b>		
(i) Key management personnel : Mr S Thiagarajan - Parent Company "Manager" within the meaning of the provisions of the Companies Act, 1956.		
Nature of transaction : Remuneration: Rs. 48.00 lakhs (Last year : Rs.19.41 Lakhs)		
(ii) Harita Polymer Limited, Chennai (wholly owned subsidiary)		
- Purchase consideration for acquisition of Polyflex (India) Pvt Ltd's business	<b>3,326.54</b>	-
- Sub-contract charges earned	<b>0.43</b>	-
- Inter-corporate advances given	<b>492.63</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 in the holding company's accounts.		

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

### Schedules - (Continued)

	As at/year ended 31.03.2009	Rupees in lakhs As at/year ended 31.03.2008
<b>XV NOTES ON ACCOUNTS-contd.,</b>		
<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	751.02	623.96
- tax on expenses claimed on payment basis under Income-tax Act, 1961	130.14	114.98
<b>(A)</b>	<b>881.16</b>	<b>738.94</b>
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	436.87	376.50
<b>(B)</b>	<b>436.87</b>	<b>376.50</b>
Deferred tax liability (net of deferred tax asset) (refer Balance Sheet)	<b>(A)-(B) 444.29</b>	362.44
<b>ACCOUNTING STANDARD (23) - Investment in associates</b>	<b>-Nil-</b>	<b>-Nil-</b>
<b>ACCOUNTING STANDARD (24) - Discontinuing operations</b>		
During the year the company discontinued its manufacturing operations which were carried through contract manufacturing in Jamshedpur. The assets used in the manufacture were moved to Belagondapalli Plant and Pune Plant. The closure does not affect the earnings-generating capacity.		
<b>ACCOUNTING STANDARD (26) - Intangible assets</b>		
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.		
(1) Software		
- Useful life of the asset	<b>2 years</b>	2 years
- Amortisation rates used	<b>50% each year as depreciation</b>	50% each year as depreciation
- Gross carrying amount at the beginning and at the end of the period		
Opening balance	65.96	55.03
Addition during the year	57.59	10.93
Total	123.55	65.96
Amortised as depreciation	89.18	60.50
Closing balance	34.37	5.46

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

### Schedules - (Continued)

	As at/year ended 31.03.2009	Rupees in lakhs As at/year ended 31.03.2008
<b>XV NOTES ON ACCOUNTS-contd.,</b>		
<b>ACCOUNTING STANDARD (27) - Financial reporting of interest in joint venture</b>	Not applicable	Not applicable
<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.		
<b>ACCOUNTING STANDARD (29) - Provisions, contingent liability and contingent asset</b>		
1. Provisions		
In respect of warranty obligations provision is made in accordance with terms of sale of seat assemblies.		
2. Contingent liabilities		
The amount for which the company is contingently liable are disclosed in Note No. 2		
3. Contingent assets which are likely to give rise to the possibility of inflow of economic benefits	-Nil-	-Nil-
4. Contested liabilities are detailed in Note No.3		
<b>3. Contingent liabilities not provided for</b>		
a. On counter guarantee furnished to banks	417.41	310.23
b. On letters of credit opened with banks	192.00	-
<b>4. Liability contested and not provided for</b>		
a) Income tax	0.98	0.98
b) Service tax	10.38	6.48
c) Central Excise	4.63	2.18
d) Sales tax	3.93	-
<b>5. Deposit includes deposit with Central Excise</b>	1.27	0.73
<b>6. Sundry creditors include:</b>		
a) Dues to small scale industrial undertakings	464.48	627.37
b) Dues of creditors other than small scale industrial undertakings	3,154.26	3,002.08
c) <b>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.		

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

### Schedules - (Continued)

	As at/year ended 31.03.2009	Rupees in lakhs As at/year ended 31.03.2008
<b>XV NOTES ON ACCOUNTS-contd.,</b>		
<b>7. Acquisition expenses pending allocation</b>	<b>3.01</b>	-
This relates to certain assets acquired by Pune Division which have not been taken possession as on 31.03.2009. This expenditure along with that incurred after 31 <sup>st</sup> March, 2009 will be capitalised on taking possession of assets.		
<b>8. Building (cost Rs. 306.87 lakhs)</b> (last year Rs. 288.94 lakhs) is situated on leasehold land allotted by Maharashtra Industrial Development Corporation Limited, Mumbai. The lease deed is yet to be executed while agreement to lease has been concluded.		
<b>9. Cash &amp; bank balances include:</b>		
a) Cheques on hand	<b>5.30</b>	141.06
b) Unpaid dividend	<b>11.30</b>	10.32
<b>10. Managerial remuneration includes :-</b>		
a) Salary	<b>45.05</b>	14.33
b) Contribution to provident and other funds	<b>2.65</b>	0.58
c) Performance linked incentive	<b>2.95</b>	4.50
The total remuneration paid to managerial personnel is Rs. 51.77 lakhs. As this is in excess of limit prescribed by remuneration committee on 14 <sup>th</sup> July, 2009 viz., Rs. 48 lakhs the excess amount paid viz., Rs. 3.77 lakhs is displayed as due from the managerial personnel and the same has been recovered subsequent to the date of Balance Sheet.		
<b>11. Loans and advances include :-</b>		
a) Advance due from an officer of the company	<b>3.77</b>	-
b) Maximum amount due from an officer of the company at any time during the year	<b>3.77</b>	-
c) Inter-corporate advance to subsidiary company	<b>492.63</b>	-

H LAKSHMANAN  
Chairman

C N PRASAD  
Director

S THIAGARAJAN  
Manager cum President

As per our report annexed  
For SUNDARAM & SRINIVASAN  
Chartered Accountants

Chennai  
27<sup>th</sup> July, 2009

S SRINIVASAN  
General Manager - Finance & Secretary

M. BALASUBRAMANIAM  
Partner  
Membership No.F7945

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

### Cash flow statement for the year ended 31<sup>st</sup> March, 2009

	Year ended 31.03.2009	Rupees in lakhs Year ended 31.03.2008	
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit before tax and extra ordinary items	<b>(790.93)</b>		952.75
Add:			
Depreciation	<b>696.92</b>	532.93	
Depreciation on assets sold	<b>(9.53)</b>	(2.16)	
Diminution in the market value of investments	<b>107.97</b>	-	
Income-tax relating to earlier years	<b>16.63</b>	2.81	
Dividend income	-	(0.52)	
Interest income	<b>(3.33)</b>	(6.04)	
Preliminary expenses	<b>(0.32)</b>	-	
Interest expenditure	<b>428.10</b>	286.90	813.92
Operating profit before working capital changes	<b>445.51</b>		1,766.67
Adjustment for:			
Interest accrued	<b>(0.26)</b>	2.48	
Inventory	<b>70.99</b>	(258.17)	
Trade receivables	<b>(3,001.48)</b>	(150.48)	
Loans and advances	<b>(184.63)</b>	208.03	
Other current assets	<b>(32.43)</b>	(13.28)	
Trade payables and provisions	<b>(603.21)</b>	973.02	
	<b>(3,751.02)</b>		761.60
Cash generated from operations	<b>(3,305.51)</b>		2,528.27
Direct tax paid	<b>(19.31)</b>	(182.46)	
	<b>(19.31)</b>		(182.46)
Net cash from operating activities - (A)	<b>(3,324.82)</b>		2,345.81
<b>B CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of fixed assets	<b>(3,162.89)</b>	(1,702.93)	
Acquisition of shares	<b>(5.00)</b>	-	
Sale of fixed assets	<b>22.78</b>	5.94	
Purchase of investments	-	(1,272.04)	
Sale of investments	<b>74.56</b>	1,184.66	
Interest received	<b>3.33</b>	6.04	
Dividend received	-	0.52	(1,777.81)
Net cash used in investing activities - (B)	<b>(3,067.22)</b>		(1,777.81)

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

### Cash flow statement for the year ended 31<sup>st</sup> March, 2009

	Year ended 31.03.2009	Rupees in lakhs Year ended 31.03.2008
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>		
Secured loans	7,184.12	(70.15)
Unsecured loans	376.18	(415.74)
Interest paid	(428.10)	(286.90)
Proceeds from issue of shares	5.00	-
Net cash from financing activities - (C)	<u>7,137.20</u>	<u>(772.79)</u>
<b>D NET INCREASE IN CASH AND CASH EQUIVALENTS (A)+(B)+(C)</b>	<b>745.16</b>	<b>(204.79)</b>
Cash and cash equivalents at the beginning of the year	252.74	457.53
Cash and cash equivalents at the end of the year	<b>997.90</b>	252.74

**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 represents cash and bank balances.**

H LAKSHMANAN Chairman	C N PRASAD Director	S THIAGARAJAN Manager cum President	As per our report annexed For SUNDARAM & SRINIVASAN Chartered Accountants
Chennai 27 <sup>th</sup> July, 2009		S SRINIVASAN General Manager - Finance & Secretary	M. BALASUBRAMANIAM Partner Membership No.F7945



## **Report of the Directors to the Shareholders**

Your directors have pleasure in presenting the first annual report on the progress of the company together with the audited statement of accounts for the period ended 31<sup>st</sup> December 2008.

### **1. FINANCIAL RESULTS**

The Company was incorporated on 9<sup>th</sup> July 2008. The accounts for the first financial period has been made for the period 9<sup>th</sup> July 2008 to 31<sup>st</sup> December 2008. During the period under review, the company has incurred a preliminary expenses of Rs.31,465/-.

### **2. CAPITAL**

During the period, the entire paid up equity capital of the company consisting of 10,000 equity shares of Rs.10/- each aggregating to Rs.1,00,000/- was acquired by M/s Harita Seating Systems Limited (HSSL). By virtue of this acquisition of the entire paid up capital of the company by a listed public company, namely HSSL, the company became a wholly owned subsidiary of HSSL effective 5<sup>th</sup> November 2008. Consequently, the status of the company stood changed as a public limited company in terms of section 3(1)(iv) of the Act.

During the period, the board of directors also increased the authorized and paid up capital from the existing amount of Rs.1,00,000 consisting of 10,000 equity shares of Rs.10/- each to Rs.5,00,000 consisting of 50,000 equity shares of Rs 10/- each, effective 10<sup>th</sup> December 2008 and the same was issued to the holding company.

### **3. CHANGE OF NAME**

The board of directors, at their meeting held on 23<sup>rd</sup> March 2009, considered a proposal for change of name of the company from its present name to M/s Harita Fehrer Limited, subject to the approval of the shareholders and the Central government.

The board of directors decided to change the name of the company, in view of the proposed joint venture between the holding company, namely Harita Seating Systems Limited (Harita)

and the proposed foreign promoters, namely M/s F S Fehrer Automotive GmbH, Germany (FEHRER) and both of them desire to change the name of the company to represent their participation in the business of the Company.

### **4. BUSINESS PROSPECTS**

During the period, the Company entered into a tripartite agreement along with its holding company, namely Harita Seating Systems Limited for acquisition of foaming business from Polyflex (India) Private Limited. All the required formalities connected with the acquisition of the said business by the company have since been completed and the company would acquire the business operations soon.

### **5. DIRECTORS**

During the period, Mr S Thiagarajan was appointed as an additional director of the company effective 10<sup>th</sup> December 2008 by the board. In terms of section 260 of the Companies Act 1956, he will vacate his office at the ensuing annual general meeting of the company and being eligible, offers himself for reappointment.

A notice has been received a member of the company signifying his intention to propose the appointment of Mr S Thiagarajan as a director of the company in terms of section 257 of the Companies Act, 1956 along with the requisite deposit of Rs.500/- each.

In terms of articles of association of the company, all the other existing directors, viz., Mr V N Venkatanathan and Mr C N Prasad retire from office at the ensuing annual general meeting and being eligible, offer themselves for re-appointment.

### **6. STATUTORY AUDITORS**

Messrs. Sundaram & Srinivasan, Chartered Accountants, Chennai 600 018, statutory auditors of the Company, were appointed as the first statutory auditors of the company by the board of directors at their meeting held on 7<sup>th</sup> August 2008.

They, being eligible to be appointed as the statutory auditors of the company, have expressed their inability to act as the statutory auditors of the company for the financial year 2009-2010. However, the Company has received a notice from a member, in terms of section 190 read with section 225(1) of the Companies Act, 1956 proposing the appointment of Messrs. Raghavan, Chaudhuri & Associates, Chartered Accountants, Bangalore, as the Statutory Auditors of the Company in place of M/s Sundaram & Srinivasan, Chartered Accountants, Chennai 600 018 the retiring auditors of the Company.

## **7. STATUTORY STATEMENTS:**

### **INFORMATION AS PER SECTION 217(1)(e)**

The company has no activity relating to conservation of energy or technology absorption. The company did not have any foreign exchange earnings or outgo.

### **INFORMATION AS PER SECTION 217(2A)**

Since there is no employee receiving remuneration in the company during the period under review, statement pursuant to section 217(2A) of the Companies Act, 1956 has not been appended.

### **INFORMATION AS PER SECTION 217(2AA)**

#### **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 the annual accounts, the applicable accounting standards had been followed and there is no material departure.
- ii. that the directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at 31<sup>st</sup> December 2008 and of the loss of the company for the period ended 31<sup>st</sup> December 2008.
- 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;
- iv. that the directors had prepared the annual accounts on a going basis.

**/FOR AND ON BEHALF OF THE BOARD/**

Chennai	C N Prasad	V N Venkatanathan
14 <sup>th</sup> May 2009	Director	Director

## Auditors' Report to the shareholders of Harita Polymer Limited, for the period ended 31<sup>st</sup> December, 2008

We have audited the attached balance Sheet of Harita Polymer Limited, Chennai 600 006 as at 31<sup>st</sup> December 2008. 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 appears from our examination of those books.

- (iii) The balance sheet referred to in this report is in agreement with the books of account.
- (iv) In our opinion, the balance sheet 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> December 2008 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.
- (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 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 in so far as it relates to the balance sheet, of the state of affairs of the Company as at 31<sup>st</sup> December 2008.

For SUNDARAM & SRINIVASAN  
Chartered Accountants

M BALASUBRAMANIAM  
Partner  
Membership No.F7945

Chennai  
14<sup>th</sup> May 2009

## Auditors' Report to the shareholders of Harita Polymer Limited, Chennai for the period ended 31<sup>st</sup> December, 2008

### Annexure referred to in our report of even date

- (i) The company does not have any fixed assets and hence the question of reporting on matters specified under sub-clause (i) of paragraph 4 of the said Order does not arise;
- (ii) The company has not commenced its business and has no inventory as on 31.12.2008;
- (iii) During the period ended 31.12.2008 the company has not granted or taken any loans, secured or unsecured, to/from companies, firms or other parties covered in the register maintained under section 301 of the Act. Hence the question of reporting on matters specified under sub-clause (iii) of paragraph 4 of the Order does not arise;
- (iv) The company has not commenced its business operations and hence the question of reporting on internal control system does not arise;
- (v) Based on the audit procedures applied by us and according to the information and explanation provided by the management, during the period ended 31.12.2008, the company has not entered into any contract or arrangement referred to in section 301 of the Act;
- (vi) The company has not accepted any deposit from the public;
- (vii) The provisions contained in sub-clause (vii) of paragraph 4 of the Order does not apply to the company;
- (viii) Since the company has not commenced its business operations, the question of maintaining cost records prescribed by the Central Government under clause (d) of section (1) of section 209 of the Act does not arise;
- (ix) Since the company has not commenced its business operations the question of reporting on matters covered under sub-clause (ix) of paragraph 4 of the Order does not arise;
- (x) The company was registered on 9<sup>th</sup> July, 2008 and hence the question of reporting on matters specified in sub-clause (x) of paragraph 4 of the Order does not arise;
- (xi) Based on our verification and according to the information and explanations given by the management the company has not borrowed any money from financial institution or banks or debenture holders and hence the question of reporting on matter covered under sub-clause (xi) of paragraph 4 of the Order does not arise;
- (xii) Based on our examination and according to the information and explanations given to us, the company has not granted any loans and advances on the basis of securities 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 paragraph 4 of the Order is not applicable;
- (xiv) The company is not dealing or trading in shares, securities, debentures and other investments;
- (xv) Based on our examination and according to the information and explanation given by the management, the company has not given any guarantee for loans taken by others from any banks or financial institutions;
- (xvi) During the period ended 31.12.2008, the company has not availed any term loans;
- (xvii) On the basis of our examination, the company has not used funds raised on short term basis for long term investment and vice-versa. The balance money raised through issue of share during the period, after meeting the preliminary expenses has been kept in current account with scheduled bank;
- (xviii) During the period ended 31.12.2008, the company has not made any preferential allotment of shares;
- (xix) During the period ended 31.12.2008, the company has not issued any debentures;
- (xx) During the period ended 31.12.2008, the company has not raised money by public issue of shares;
- (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 period.

For SUNDARAM & SRINIVASAN  
Chartered Accountants

M BALASUBRAMANIAM  
Partner

Chennai  
14<sup>th</sup> May 2009

Membership No.F7945

Balance Sheet as at 31<sup>st</sup> December, 2008

Rupees in Lakhs

	Schedule Number	Amounts in Rs.
<b>I SOURCES OF FUNDS:</b>		
<b>1) Shareholders' funds</b>		
Capital	I	500,000.00
<b>Total</b>		<u>500,000.00</u>
<b>II APPLICATION OF FUNDS:</b>		
<b>1) Current assets, loans and advances:</b>		
Cash and bank balances	II	486,099.82
Total (A)		<u>486,099.82</u>
<b>Less: Current liabilities</b>	III	17,565.00
Total (B)		<u>17,565.00</u>
<b>Net current assets</b>	<b>(A)-(B)</b>	468,534.82
<b>2) Miscellaneous Expenditure</b> (to the extent not written off or adjusted)		
	IV	31,465.18
<b>Total</b>		<u>500,000.00</u>

As per our report annexed  
For SUNDARAM & SRINIVASAN  
Chartered Accountants

C N PRASAD  
Director

V N VENKATANATHAN  
Director

M. BALASUBRAMANIAM  
Partner  
Membership No: F7945

Chennai  
14<sup>th</sup> May, 2009

**Schedules**

	<b>Amounts (Rs.)</b>
	<b>As at</b>
	<b>31.12.2008</b>
<hr/>	
<b>I CAPITAL</b>	
Authorised 50,000 Equity shares of Rs.10/- each	<u>500,000.00</u>
Issued, subscribed and paid up  50,000 Equity shares of Rs.10/- each fully paid up. All the Equity shares are held by M/s Harita Seating Systems Ltd, Chennai - the holding company and its nominees	  500,000.00  <u>500,000.00</u>
<hr/>	
<b>II CASH AND BANK BALANCES</b>	
a) Cash on hand	101.00
b) With scheduled bank – Current account	 485,998.82 <u>486,099.82</u>
<hr/>	
<b>III CURRENT LIABILITIES</b>	
a) Sundry creditors	17,565.00
	<u>17,565.00</u>
<hr/>	
<b>IV MISCELLANEOUS EXPENDITURE</b> (to the extent not written off or adjusted)	
– <b>Preliminary expenses</b>	
– Rates & taxes	18,623.00
– Bank charges	566.18
– Printing & stationery	7,276.00
– Legal and retainer fee	5,000.00
	<u>31,465.18</u>

**NOTES ON ACCOUNTS - Period ended 31<sup>st</sup> December, 2008**

**1 Notes on Accounting Standards prescribed by The Institute of Chartered Accountants of India**

The company is a small and medium sized company (SMC) as defined in the general instructions in respect of Accounting standards notified under the Companies Act, 1956. Accordingly the company has complied with the Accounting Standards as applicable to a small and medium sized company.

Since the company has not commenced its business operations, other than accounting standards AS 1 and AS 18, other accounting standards are not applicable.

The applicable accounting standards viz., AS1 and AS18 are dealt as under:

**AS - 1 Disclosure of accounting policies**

The Company is following mercantile system of accounting on a going concern basis.

**AS - 18 Related party disclosure**

1. Reporting enterprise	Harita Polymer Limited
2. Name of the transacting related party	Harita Seating Systems Limited
3. Description of relationship	Holding Company
4. Description and nature of transaction	Issue of 40,000 Equity shares of Rs.10/- each
5. Volume of transaction either as an amount or as an appropriate proportion	Rs.4,00,000/- *
* The balance of Rs. 1,00,000/- in paid up capital was subscribed by subscribers to the Memorandum of Association.	
6. Any other elements of the related party transactions necessary for an understanding of the financial statements	Nil
7. The amounts or appropriate proportion of outstanding items pertaining to related parties as at the balance sheet date and provisions for doubtful debts due from such parties as at the date	Nil
8. Amount written off or written back in the period in respect of debts due from or to related parties	Nil

- 2 No profit & loss account is prepared as the company is yet to commence manufacturing activity.
- 3 This being first year, no comparative figures are furnished.
- 4 The directors have waived their sitting fees.
- 5 The accounts are maintained on accrual basis.
- 6 The company does not owe any money to Micro, Small and Medium Enterprises.

As per our report annexed  
For SUNDARAM & SRINIVASAN  
Chartered Accountants

C N PRASAD  
Director

V N VENKATANATHAN  
Director

M. BALASUBRAMANIAM  
Partner  
Membership No: F7945

Chennai  
14<sup>th</sup> May, 2009

# 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
-------------------------------------	--------------------

Client ID	Folio No.

(Strike off whichever is not applicable)

NAME OF THE PROXY (IN CAPITAL LETTERS)
--

<b>13<sup>th</sup> ANNUAL GENERAL MEETING</b> <b>7<sup>th</sup> September, 2009 at 10.15 A.M.</b>  Mini Hall of Narada Gana Sabha No.314 (Old No. 254) T.T.K. Road Chennai – 600 018
---

<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  
vote for me / us and on my / our behalf at the 13<sup>th</sup> Annual General Meeting of the Company to be held on  
Monday, the 7<sup>th</sup> September, 2009 at 10.15 A.M. and at any adjournment thereof.

Signed this ..... day of ..... 2009.

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.

FOR OFFICE USE ONLY	
Proxy No.	Date of Receipt

Revenue Stamp
------------------

Signature