

# **HARITA SEATING SYSTEMS LIMITED**

**Fourteenth Annual Report 2009-2010**

### Board of Directors

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

### President

A G Girdharan

### Secretary & Compliance Officer

N Iswarya Lakshmi

### Audit Committee

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

### Investors' Grievance Committee

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

### Remuneration Committee

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

### Bankers

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

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

### Auditors

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

### Shares listed with

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

### Share Transfer Agent

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

### Registered Office

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

### Factories

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

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

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

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

### Web site :

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

### Subsidiary Company

Harita Fehrer Limited

Contents	Page No.
Financial highlights	2
Notice to the shareholders	3
Directors' report to the shareholders	5
Report on corporate governance	14
Auditors' report to the shareholders	28
Balance sheet	32
Profit and loss account	33
Schedules	34
Notes on accounts	40
Cash flow statement	54
General business profile	56
Statement relating to subsidiary	57
Auditors' report on consolidated accounts	59
Consolidated accounts	60
Annual Report of subsidiary	75

<b>Financial Highlights</b>							
(Rupees in lakhs)							
Year ended	2004	2005	2006	2007	2008	2009	2010
<b>Profit &amp; Loss Account</b>							
Sales	9202.06	11798.82	13736.82	15547.33	19104.87	19625.18	<b>22356.35</b>
Other income	90.81	117.93	143.80	149.41	271.76	196.98	<b>893.51</b>
Total income	9292.87	11916.75	13880.62	15696.74	19376.63	19822.16	<b>23249.86</b>
<b>Gross profit before</b>							
Interest, depreciation & tax	894.03	987.92	1292.85	1363.01	1772.58	330.76	<b>1487.56</b>
Depreciation	212.76	269.39	315.28	386.34	532.93	696.92	<b>883.52</b>
Profit / (Loss) before Interest & tax	681.27	718.53	977.57	976.67	1239.65	(366.16)	<b>604.04</b>
Interest	0.35	0.28	31.78	75.75	286.90	424.77	<b>704.44</b>
Profit / (Loss) before taxation	680.92	718.25	945.79	900.92	952.75	(790.93)	<b>(100.40)</b>
Profit / (Loss) after taxation	437.69	451.78	638.79	583.92	641.25	(892.09)	<b>8.81</b>
<b>Balance Sheet</b>							
Net fixed assets	1564.07	1878.8	2337.96	4380.64	5546.86	7999.88	<b>4705.11</b>
Investment	661.12	367.96	407.87	350.00	437.38	259.85	<b>2988.76</b>
Net Current Assets	305.29	598.89	1420.19	1866.44	725.77	5217.27	<b>900.36</b>
Total	2530.48	2845.65	4166.02	6597.08	6710.01	13477.00	<b>8594.23</b>
Share Capital	388.45	388.45	388.45	388.45	776.90	776.90	<b>776.90</b>
Reserves & Surplus	1767.96	2082.72	2522.17	2902.57	2930.94	2055.78	<b>2072.98</b>
Net Worth	2156.41	2471.17	2910.62	3291.02	3707.84	2832.68	<b>2849.88</b>
Loan Funds	240.10	220.04	1091.96	3125.62	2639.73	10200.03	<b>5422.27</b>
Deferred tax liability	133.97	154.44	163.44	180.44	362.44	444.29	<b>322.08</b>
Total	2530.48	2845.65	4166.02	6597.08	6710.01	13477.00	<b>8594.23</b>
<b>Earnings per share (Rs.)</b>							
Earnings per share (Rs.)	11.20	11.75	16.44	15.03	^ 8.25	(11.48)	<b>0.11</b>
Dividend per share (Rs.)	3.00	3.20	4.50	4.50	2.50	-	-
Book value per share (Rs.)	55.51	63.62	74.93	84.72	47.73	36.46	<b>36.68</b>
Return on capital employed % (ROCE)*	30.40	28.40	25.80	18.70	19.40	(2.69)	<b>7.31</b>
Return on networth % (RONW) **	21.80	19.50	23.70	18.80	18.30	(27.28)	<b>0.31</b>
Fixed asset turnover (No. of times) #	6.36	6.85	6.52	4.63	3.85	2.90	<b>3.52</b>
Working capital turnover (No. of times)@	14.97	26.10	13.61	9.46	14.74	6.60	<b>7.31</b>
Gross profit as % of total income	9.60	8.30	9.30	8.70	9.10	1.70	<b>6.40</b>
Profit / (Loss) before tax as % of total income	7.30	6.00	6.80	5.70	4.90	(4.00)	<b>(0.43)</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 fourteenth annual general meeting of the shareholders of the Company will be held at Kasturi Srinivasan Hall (Mini Hall), The Music Academy, No.168, (Old 306) T. T. K Road, Chennai 600 014 on Monday, the 6<sup>th</sup> September 2010 at 2.30 p.m. to transact the following business:

#### ORDINARY BUSINESS

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

"RESOLVED THAT the audited balance sheet as at 31<sup>st</sup> March 2010 and the profit and loss account of the Company for the year ended on that date, together with the directors' report and the auditors' report thereon as presented to the meeting be and the same are hereby approved and adopted."

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

"RESOLVED THAT Mr C N Prasad, director, who retires by rotation and being eligible for re-appointment, be and is hereby re-appointed as a director of the Company."

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

"RESOLVED THAT the retiring auditors, M/s. Sundaram & Srinivasan, Chartered Accountants, Chennai, having the firm registration no. 004207S issued by The Institute of Chartered Accountants of India, be and are hereby re-appointed as auditors of the Company to hold office from the conclusion of this annual general meeting till the conclusion of the next annual general meeting of the Company on such remuneration as may be fixed in this behalf by the board of directors of the Company."

By order of the board

Chennai  
30<sup>th</sup> July 2010

N Iswarya Lakshmi  
*Secretary*

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

#### Notes:

1. **A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of himself and the proxy or proxies so appointed need not be a member or members as the case may be of the Company. The instrument appointing the proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or other authority shall be deposited at the registered office of the Company not later than 48 hours before the time fixed for holding the meeting.**
2. The register of members and the share transfer books of the Company will remain closed for a period of 5 days from 2<sup>nd</sup> September 2010 to 6<sup>th</sup> September 2010 (both days inclusive), for the purpose of the annual general meeting of the Company.
3. In terms of Section 205A read with Section 205C of the Companies Act, 1956, the dividends declared by the Company which remain unclaimed for a period of seven years will be transferred on due dates to the Investor Education and Protection Fund (IEPF) established by the Central Government. The particulars of due dates for transfer of such unclaimed dividends to IEPF are furnished in the report on corporate governance forming part of the annual report.  
  
Members, who have not encashed their dividend warrants, are requested to make their claim by surrendering the unencashed warrants immediately to the Company.
4. Members holding shares in physical form, in their own interest, are requested to dematerialize the shares to avail the benefits of electronic holding/trading.
5. Members are requested to notify to the Company any change in their address immediately. Members holding shares in electronic form are requested to advise change of address to their depository participants.
6. As a measure of economy, copies of the annual report will not be distributed at the annual general meeting. Members are, therefore, requested to bring their copies of the annual report to the meeting.

7. Members are requested to affix their signature at the space provided on the attendance sheet annexed to the proxy form and hand over the slip at the entrance of the meeting hall.
8. In terms of clause 49(IV)(G) of the Listing Agreement with the Stock Exchanges, a brief resume of the director, who is proposed to be re-appointed in this meeting, nature of his expertise in specific functional areas, his other directorships and committee memberships and his shareholdings and relationships with other directors in the Company are given below:

**Mr C N Prasad**

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

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

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

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

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

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

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

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

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

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

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

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

## Directors' report to the shareholders

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

### 1. FINANCIAL HIGHLIGHTS

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

### 2. DIVIDEND

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

### 3. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

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

#### INDUSTRY STRUCTURE AND DEVELOPMENTS

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

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

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

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

(Source: SIAM)

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

### OPPORTUNITIES AND THREATS

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

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

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

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

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

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

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

### PRODUCT-WISE PERFORMANCE

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

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

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

### BUSINESS OUTLOOK AND OVERVIEW

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

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

### RISKS AND CONCERNS

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

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

### OPERATIONS REVIEW

#### a. Manufacturing:

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

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

#### b. Quality:

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

Total Quality Management (TQM) is a way of life in the Company. 100% participation in employee involvement has been successfully achieved for the 10<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 2009-2010, as compared to the previous year 2008-2009, is as follows:

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

e. Internal controls and their adequacy :

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

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

f. Human resource development:

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

disciplines to meet future needs of manpower requirements.

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

### COMMUNITY DEVELOPMENT AND SOCIAL RESPONSIBILITY

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

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

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

### CAUTIONARY STATEMENT

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

### 4. SUBSIDIARY COMPANY

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

During the year, the board of directors, as approved

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

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

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

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

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

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

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

the Listing Agreement, as the total turnover of the subsidiary exceeds 20% of the consolidated turnover of the Company. Shareholders are requested to note that the Company is fully compliant with the provisions of the aforesaid clause 49 of the Listing Agreement.

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

The annual accounts of the subsidiary for the period ended 31<sup>st</sup> March 2010 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 subsidiary form part of the annual report.

As required by Section 212 of the Companies Act, 1956, a statement and a copy of the audited annual accounts of HFRL, for the period ended 31<sup>st</sup> March 2010 together with reports of the directors and the statutory auditors are attached to the balance sheet of the Company.

### 5. DIRECTORS

During the year, Mr C N Prasad, 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.

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

### 7. CORPORATE GOVERNANCE

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

A separate section on Corporate Governance and a certificate from the statutory auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges form part of the Annual Report.

The president and the senior manager (finance) 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 2010.

The Ministry of Corporate Affairs issued Corporate Governance Voluntary Guidelines 2009 in the second half of December 2009. The guidelines broadly outline conditions for appointment of directors, their remuneration / responsibilities, risk management by the board, the enhanced role of audit committee, rotation of audit partners, firms and conduct of secretarial audit. The Company while generally meeting the various requirements has already commenced taking steps for appropriate action for compliance of the relevant items of the guidelines.

### 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.

### Public Deposits

The Company has not accepted any deposit from the public within the meaning of Section 58A of the Companies Act, 1956 for the year ended 31st March 2010.

### 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, 2010, 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 profit 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 2010 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  
30<sup>th</sup> July 2010

H LAKSHMANAN  
Chairman

**Annexure I to the Directors' report for the year ended 31<sup>st</sup> March 2010**  
**Information pursuant to Section 217(1) (e) of the Companies Act, 1956**

**A. CONSERVATION OF ENERGY**

**1. Measures taken**

- Modified control circuit of diesel generators for charging batteries and reducing the fuel consumption.
- Optimisation of energy consumption in foaming machine preconditioning system
- Introduced direct mould temperature control for moulds in foaming system.
- Established automatic control and optimized the running hours of compressor.
- Reduction in energy consumption by modification of program logic in GMA hydraulic mould fixtures.
- Optimised the diesel generators running during power holidays.

The above measures have resulted in an annual saving of Rs.11 lakhs.

**2. Proposed measures**

- Energy saving devices for diesel generators.
- Introduction of gas train for canteen LPG fired cooking boilers to improve fuel efficiency.
- Introduction of periodic energy auditing and implementation of energy conservation measures.
- Introduction of T5 fittings for factory lighting.
- Reduction of energy consumption by implementing T5 fittings for street lighting.
- Providing variable frequency drive for utilities.

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

**B. TECHNOLOGY ABSORPTION**

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

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

- Developed new plastic seats for metro bus applications under JNNURM Scheme.
- Developed passenger seats for Mercedes Benz and Swaraj Mazda buses.
- Commenced supplies of driver and co-driver seats for AMW trucks.
- Developed driver seats for Mahindra tractors for export applications.
- Introduced low "H-point" suspended driver seats for OEM's.
- Commenced supplies of "Atlas and EzTrak" model driver seats to John Deere, USA for Lawn mower applications.
- Commenced supplies of MCV seat parts to Gramag, USA.

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

- Enhanced sales in bus passenger seat segment.
- Enhanced sales in commercial vehicles seat segment.
- Enhanced sales in tractor seat segment.
- Additional business opportunities from export business.

**3. Future plan of action**

- Development of seating systems for commercial vehicles and tractors to improve safety and comfort levels of drivers.
- Implementation of BPS products on new platforms.

**4. Expenditure on R&D**

	Rs. in lakhs
(i) Capital expenditure	0.82
(ii) Revenue expenditure	308.37
Total R&D expenditure	<u>309.19</u>
Percentage to sales	1.38%

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

- (i) Efforts in brief:
- Development of alternate design, parts and raw materials standardization to reduce product costs in bus seats segment.
  - Introduction of personal entertainment systems in bus passenger seats.
- (ii) Benefits derived as a result of the above are:
- Price competitiveness.
  - Improvement in supply chain management.
  - Value added products.
- (iii) Details relating to imported technology:  
NIL

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO**

**1. Activities relating to export**

- During the year 2009-10, new orders for export of driver seats and components for commercial vehicles were received and executed.
- The Company has been continuing its efforts to increase the current volume of export of driver seats to USA.

**2. Total foreign exchange earnings and outgo:**

Foreign exchange earned:	Rs.1,117.25 lakhs
Foreign exchange used:	Rs.2,129.34 lakhs

For and on behalf of the Board

Chennai  
30<sup>th</sup> July 2010

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 endeavour to improve on these aspects.

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

**2. Board of Directors**

**2.1 Composition and category of directors:**

As of 31<sup>st</sup> March 2010, the board consists of four directors. All are non-executive directors. Out of the four non-executive directors, three directors are independent directors.

Chairman is a non-executive and independent director. The number of

independent directors is more than one third of its total strength. Thus, the Company meets with the requirements of composition of the board as per the Listing Agreement.

**2.2 Board Meetings:**

The Company, in consultation with the directors, prepares and circulates a tentative annual calendar for meetings of the committees / board in order to assist the directors for planning their schedules to participate in the meetings.

During the year 2009-2010, the board met 4 times on 28<sup>th</sup> April 2009, 27<sup>th</sup> July 2009, 28<sup>th</sup> October 2009 and 22<sup>nd</sup> January 2010 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> September 2009 and also the number of other directorships and committee memberships / chairmanships as on 31<sup>st</sup> March 2010 are as follows:

Name of the Directors M/s.	Category	Attendance Particulars		Number of directorships and committee memberships / chairmanships		
		Board Meeting	Last Annual General Meeting	Other directorships*	Committee memberships@	Committee chairmanships
H Lakshmanan	NE-I	4	Yes	20	10	5
S I Jaffar Ali	NE-I	3	Yes	-	2	-
Martin Grammer	NE-NI	3	Yes	-	-	-
C N Prasad	NE-I	4	Yes	5	7	-

\* 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 on the board is a member of more than 10 board level committees or chairman of more than 5 such committees across all the companies in which they are directors. Chairmanships / memberships of committees include only audit and shareholders / investors' grievance committees, 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 being placed and discussed with the functional heads periodically. The board also reviews the declarations made by the president and secretary of the Company regarding compliance of all applicable laws on quarterly basis.

Decisions taken at the board / committee meetings are communicated to the departments concerned. Action taken report on decisions taken in the previous meetings of the board / committee is regularly placed at every succeeding meeting of the board / committee for reporting the compliance.

### 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 senior management personnel. 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 2010. 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 relationships, if any, with other directors are provided in the notice convening the ensuing annual general meeting of the Company.

## 3. Audit Committee

The primary objective of the Audit Committee is to monitor and provide effective supervision of the management's financial reporting process with a view to ensure accurate, timely and proper 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. Over viewing the Company's financial reporting process and the disclosure of financial information.
- b. Reviewing with the management quarterly and annual financial statements before submission to the board for approval with particular reference to the matters specified in the Listing Agreement.
- c. Reviewing the statement of related party transactions.
- d. Discuss the nature and scope of audit including internal audit prior to the commencement of the audit and areas of concern, if any, arising post audit.
- e. Reviewing the reports of Internal Auditors and ensuring that adequate follow-up action is taken by the management on observations and recommendations made by the internal auditors.

- f. Reviewing the findings of any internal investigations by the internal auditors into matters, where there is suspected fraud or irregularity or a failure of internal control systems, of a material nature.
- g. Recommending to the board, the appointment / re-appointment / replacement of the statutory auditors and the fees payable for audit and approving the payment for any other services rendered by the statutory auditors.
- h. Reviewing the adequacy of internal audit functions and systems, structure, reporting process, audit coverage and frequency of internal audit.
- i. Review of management discussion analysis of financial conditions and results of operations and other matters specified under clause 49 of the Listing Agreement.
- j. Review of financial statements, in particular the investments made by the unlisted subsidiary.
- k. Reviewing with the management the annual financial statement before submission to the board, in particular
  - (a) Any changes in accounting policies and practices;
  - (b) Major accounting entries based on exercise of judgment by management;
  - (c) Significant adjustments arising out of audit;
  - (d) Compliance with accounting standards; and
  - (e) Disclosure of contingent liabilities.
- l. Approving the appointment of the Chief Financial Officer after assessing the qualifications, experience, background, etc., of the candidate.
- m. In addition, 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:**

As of 31<sup>st</sup> March 2010, the Audit Committee consists of the following non-executive and independent directors:

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

Mr H Lakshmanan, Chairman of the Audit Committee, is a non-executive and independent director. Ms N Iswarya Lakshmi, 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> September 2009. The composition of the Committee is in accordance with the requirements of Clause 49 of the Listing Agreement read with Section 292A of the Companies Act, 1956.

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

Date of the meeting	Members present M/s.
28 <sup>th</sup> April 2009	H Lakshmanan, C N Prasad and S I Jaffar Ali
27 <sup>th</sup> July 2009	H Lakshmanan, C N Prasad and S I Jaffar Ali
28 <sup>th</sup> October 2009	H Lakshmanan, C N Prasad and S I Jaffar Ali
23 <sup>rd</sup> December 2009	H Lakshmanan, C N Prasad and S I Jaffar Ali
22 <sup>nd</sup> January 2010	H Lakshmanan and C N Prasad

**4. Subsidiary companies**

- 4.1 The Company's Subsidiary M/s. Harita Fehrer Limited is covered within the definition of "material non-listed Indian subsidiary".

- 4.2 The board of directors of the said subsidiary company consists of two independent directors of the Company viz., M/s. H Lakshmanan and C N Prasad, in terms of Clause 49 (III) of the Listing Agreement.
- 4.3 The Audit Committee of directors of the Company reviews the financial statements and in particular the investments made by the unlisted subsidiary.
- 4.4 The minutes of the board meetings of the unlisted subsidiary are periodically placed before the board. The board is periodically informed about all significant transactions and arrangements entered into by the unlisted subsidiary.

### 5. Disclosures

- 5.1 Materially significant related party transactions:

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

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

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

- (a) related party transactions undertaken by the Company in the ordinary course of business;
  - (b) material individual transactions, if any, which were not in the normal course of business; and
  - (c) material individual transactions, if any, with related parties or others, which were not at arm's length basis.
- 5.2 Disclosure of accounting treatment:
- The Company follows 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 2010.

- 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 Company constituted a Remuneration Committee on 10<sup>th</sup> July 2009 with the main objective to decide the Company's policy on specific remuneration packages for executive directors if any and manager including, payment of remuneration as per the limits specified in terms of Schedule XIII of the Companies Act, 1956 and to have such additional powers, as may be entrusted to them, from time to time, by the board, on other matters including pension rights and any compensation to managerial personnel.

6.2 The Remuneration Committee comprises of three non-executive and independent directors. The composition of Remuneration Committee of directors is as follows:

Name of the directors M/s	Position
H Lakshmanan	Chairman
C N Prasad	Member
S I Jaffar Ali	Member

6.3 During the year, the Remuneration Committee met on 14<sup>th</sup> July 2009 to refix the remuneration payable to the managers, within the applicable limits specified in Section II of Part II of Schedule XIII of the Companies Act, 1956 due to the loss sustained by the Company for the year ended 31<sup>st</sup> March 2009.

6.4 Details of remuneration paid to managerial personnel during financial year 2009-10:

(In Rs.)

Name & Position M/s.	Salary, performance incentives & other allowances
S Thiagarajan, President cum Manager (Upto 10.11.2009)	25,76,148
A G Giridharan, President cum Manager (*)	10,10,123

(\*) Appointed as Manager with effect from 11.11.2009

6.5 Remuneration to directors:

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

Sitting fees of Rs. 2,500/- are paid to the non-executive directors for every meeting of the board and / or committee thereof attended by them, which is within the limits prescribed under the Companies Act, 1956.

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

6.6 Particulars of sitting fees paid to the directors during the financial year 2009-2010:

Name of the directors M/s.	Sitting fees paid (in Rs.)
H Lakshmanan	40,000
C N Prasad	40,000
S I Jaffar Ali	30,000
Martin Grammer	7,500
Total	1,17,500

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

6.7 Details of shareholdings of non-executive directors in the Company as on 31<sup>st</sup> March 2010:

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

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

**7. Investors' Grievance Committee:**

7.1 The Investors' Grievance Committee consists of three members viz., M/s. H Lakshmanan,

C N Prasad and S I Jaffar Ali. Mr H Lakshmanan is the chairman of the Committee.

7.2 As required by Securities and Exchange Board of India (SEBI), Ms N Iswarya Lakshmi, secretary of the Company is the compliance officer of the Investors' Grievance Committee. For any clarification/ complaint, the shareholders may contact Ms N Iswarya Lakshmi, secretary of the Company.

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

7.4 Complaints received and redressed during the year 2009-2010:

The Company received only one complaint during the year 2009-2010 relating to non-receipt of dividend, which was duly redressed.

7.5 No complaint was pending at the year end.

All requests for dematerialization of shares were carried out within the stipulated time period and no share certificate was pending for dematerialization as on 31<sup>st</sup> March 2010.

7.6 Secretarial Audit:

A qualified Practising Company Secretary carries 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 places 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
2006-07	Kasturi Srinivasan Hall (Mini Hall) The Music Academy, No.168, (Old 306), T.T.K Road Chennai 600 014.	13.09.2007 10.15 A.M.
2007-08	Kasturi Srinivasan Hall (Mini Hall) The Music Academy, No.168,(Old 306), T.T.K Road, Chennai 600 014.	07.08.2008 10.30 A.M.
2008-09	Narada Gana Sabha (Mini Hall), No.314 (Old 254) T.T.K Road, Chennai 600 018.	07.09.2009 10.15 A.M

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

During the last three years, namely 2006-07 to 2008-09, approval of the shareholders was obtained by passing special resolutions in respect of the following:

Year	Subject matter	Date of AGM
2006-2007	Nil	13.09.2007
2007-2008	Nil	07.08.2008
2008-2009	a. Revision in payment of remuneration to Mr S Thiagarajan, president, as manager under the Companies Act, 1956  b. Appointment of Mr A G Giridharan as manager under the Companies Act, 1956 effective 11 <sup>th</sup> November 2009	07.09.2009

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

#### 8.4 Postal Ballot:

The board earlier sought the consent of shareholders of the Company by way of 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 of the businesses owned and those acquired by the Company, to the wholly owned subsidiary of the Company, namely Harita Fehrer Limited in terms of Section 293(1)(a) of the Companies Act, 1956.

The said ordinary resolution was passed by the shareholders of the Company with overwhelming majority. The results and the procedures followed for Postal Ballot process have already been reported in the last year's report on Corporate Governance.

### 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, Company's website and specific communications to Stock Exchanges, where the Company's shares are listed / traded.

#### 9.1 Quarterly Results:

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

#### 9.2 Newspapers wherein results normally published:

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

#### 9.3 Website:

The Company has in place a web site addressed as [www.haritaseating.com](http://www.haritaseating.com). The financial results and the quarterly distribution schedules as filed with the Stock Exchanges are also published in the Company's web site. The Company makes use of its website for publishing official news release and

presentations, if any, made to institutional investors / analysts.

### 10. General Shareholder information

#### 10.1 Annual General Meeting:

Date and time	: Monday, the 6 <sup>th</sup> September 2010 at 2.30 p.m.
Venue	: Kasturi Srinivasan Hall (Mini Hall) The Music Academy, No.168, (Old.306), T.T.K Road, Chennai 600 014.

#### 10.2 Financial calendars:

Financial year	: 1 <sup>st</sup> April 2010 to 31 <sup>st</sup> March 2011
Financial Calendar (2010-2011) (Tentative)	
Annual General Meeting (next year)	: During August/ September 2011
Financial reporting for the quarter ending : Financial calendar	
30 <sup>th</sup> June 2010	: 30 <sup>th</sup> July 2010
30 <sup>th</sup> Sept. 2010	: between 15 <sup>th</sup> October and 15 <sup>th</sup> November 2010
31 <sup>st</sup> Dec. 2010	: between 15 <sup>th</sup> January and 15 <sup>th</sup> February 2011
31 <sup>st</sup> March 2011	: between 15 <sup>th</sup> April and 31 <sup>st</sup> May 2011

#### 10.3 Date of book closure:

2<sup>nd</sup> September 2010 to 6<sup>th</sup> September 2010 (both days inclusive).

#### 10.4 Listing on Stock Exchanges:

Name of the Stock Exchange  
Madras Stock Exchange Limited, (MSE)  
Bangalore Stock Exchange Limited, (BgSE)  
National Stock Exchange of India Limited (NSE) - HARITASEAT (Stock symbol)  
ISIN allotted by Depositories :  
NE 939D01015 (Company ID Number)

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

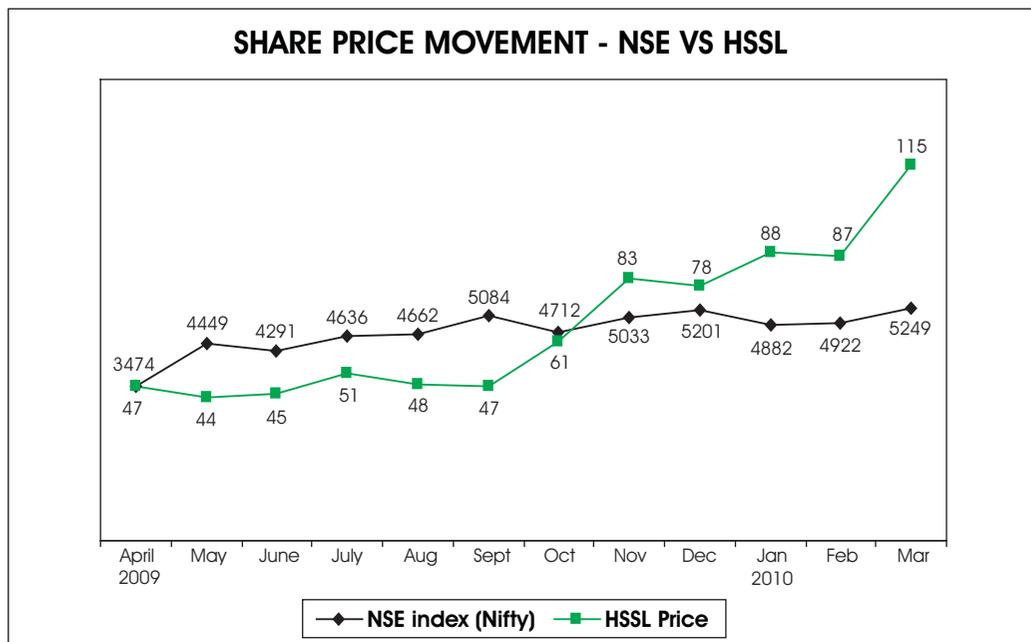
(Note : Annual listing fees for the year 2010-2011 have been paid to the above Stock Exchanges)

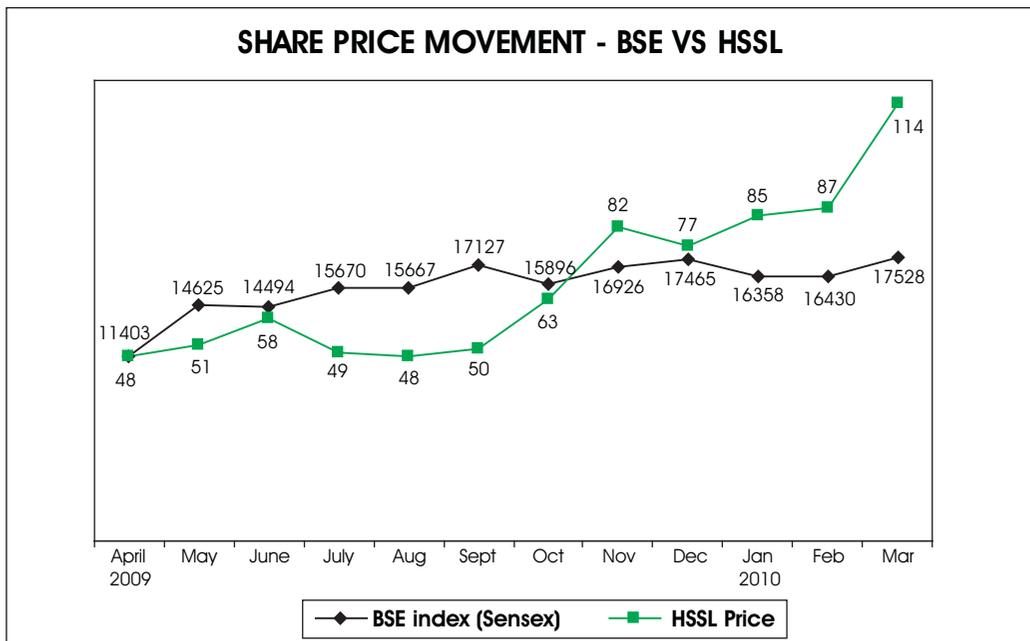
10.5 Market price data:

The shares of the Company were not traded during the period 1<sup>st</sup> April 2009 to 31<sup>st</sup> March 2010 in MSE and BgSE. However, the shares of the Company are being regularly traded in BSE-INDO Next and the data relating to the trading in BSE –INDONext is given below:

Month	National Stock Exchange of India Limited (NSE) (in Rs)		Bombay Stock Exchange Limited (BSE-INDONext) (in Rs)	
	High	Low	High	Low
April 2009	47.00	41.00	48.30	41.35
May 2009	44.10	40.00	50.50	38.70
June 2009	45.30	41.05	57.85	46.60
July 2009	50.95	42.90	49.30	42.55
August 2009	47.75	40.00	47.80	41.50
September 2009	47.05	40.10	50.40	41.05
October 2009	61.00	46.30	63.25	44.50
November 2009	83.25	51.75	81.65	47.25
December 2009	77.80	67.05	77.45	60.15
January 2010	87.95	69.35	85.35	71.70
February 2010	86.70	72.15	87.00	72.10
March 2010	114.95	86.10	114.35	91.00

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





#### 10.7 Share Transfer Agent (STA) and share transfer system:

- a. With a view to render prompt and efficient service to the shareholders, M/s. Sundaram-Clayton Limited (SCL), which has been registered with SEBI as share transfer agents in Category II, has been appointed as the Share Transfer Agent of the Company (STA). The shareholders have also been advised about this appointment of STA to handle share registry work pertaining to both physical and electronic segments of the Company effective 1<sup>st</sup> October 2004.
- b. All matters connected with the share transfer, dividends and other matters are handled by the STA located at the address mentioned elsewhere in this report.
- c. Shares lodged for transfer are normally processed within 10 days from the date of lodgement, if the documents

are clear in all respects. All requests for dematerialization of securities are processed and the confirmation is given to the depositories within 7 days. Grievances received from investors and other miscellaneous correspondences relating to change of address, mandates etc., are processed by the STA within 7 days.

- d. Pursuant to Clause 47(c) of the Listing Agreement with Stock Exchanges, certificates are being obtained, on half-yearly basis, from a Company Secretary-in-practice towards due compliance of share transfer formalities by the Company.
- e. Pursuant to SEBI (Depositories and Participants) Regulations, 1996, certificates are being 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) [ni.iswarya@scl.co.in](mailto:ni.iswarya@scl.co.in) for the purpose

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

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

#### 10.8 Shareholding pattern as on 31<sup>st</sup> March 2010:

Particulars	No. of shares	% to total paid up capital
(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 (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-Government Institutions)	200	—
Sub Total (a)	200	—
(2) Non-Institutions		
(a) Bodies Corporate	11,34,386	14.60
(b) Individuals < 1 Lakh	13,96,870	17.98
(c) Individuals > 1 Lakh	60,670	0.78
(d) NRI – Repatriable	12,164	0.16
(e) NRI – Non-Repatriable	4,750	0.06
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

10.9 Distribution of Shareholding as on 31<sup>st</sup> March 2010:

Shareholding (Range)	No. of shares	% to total shares	No. of members	% to total members
Upto 5,000	13,76,053	17.71	3,681	99.17
5,001-10,000	1,04,737	1.35	14	0.38
10,001-20,000	57,028	0.73	5	0.13
20,001-50,000	54,000	0.70	2	0.05
50,001-1,00,000	50,070	0.64	1	0.03
1,00,001 & above	61,27,152	78.87	9	0.24
Total	77,69,040	100.00	3,712	100.00

## 10.10 Dematerialization of shares:

Out of 26,09,040 equity shares of Rs.10/- each held by persons other than Promoters, 20,26,130 shares have been dematerialized as on 31<sup>st</sup> March 2010 accounting for 77.66%.

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

## 10.12 Address for investor Correspondence:

- (i) For transfer / dematerialization of shares, payment of dividend on shares and any other query relating to the shares of the Company
- (ii) For any query on non-receipt of annual reports.
- (iii) For Investors' grievance and general correspondence.

Sundaram-Clayton Limited  
 Share Transfer Agent (STA)  
 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)  
[ni.iswarya@scl.co.in](mailto:ni.iswarya@scl.co.in)  
[investorscomplaintsstata@scl.co.in](mailto:investorscomplaintsstata@scl.co.in)

## 10.13 Plant Locations:

**Hosur :**

Belagondapalli, Thally Road  
 Hosur 635 114.Tamilnadu, India.  
 Tel : 04347 - 233445  
 Fax : 04347 - 233460  
 Email : [agiri@haritaseating.com](mailto:agiri@haritaseating.com)

**Ranjangaon :**

Plot No.A2 , MIDC Industrial area  
 Ranjangaon, Koregaon Village  
 Shirur taluk, Pune District  
 Maharashtra, India.  
 Tel : 02138 - 660742  
 Email : [agiri@haritaseating.co](mailto:agiri@haritaseating.co)

**Himachal Pradesh :**

Chaurasia Road, Pargana Plassi  
 Village Bhatian, Thesil Nalagarh  
 Solan District,  
 Himachal Pradesh -174 101, India.  
 Tel : 01795-220562  
 Email : [agiri@haritaseating.com](mailto:agiri@haritaseating.com)

**Karnataka :**

Plot No. 116, 117, 125 A,  
 Bommasandra Industrial Area  
 Bengaluru - 560 099  
 Karnataka, India.  
 Tel : 080 - 27832851  
 Fax : 080 - 27832853  
 Email : [agiri@haritaseating.com](mailto:agiri@haritaseating.com)

### 11. Non-Mandatory 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:

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

#### 11.2 Remuneration Committee:

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

#### 11.3 Shareholder rights:

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

#### 11.4 Audit Qualifications:

The statutory financial statements of the Company are unqualified.

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

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

#### 11.6 Whistle Blower Policy:

The Company has not adopted whistle blower policy. However, the Company has not denied access to any personnel to approach the management on any issue.

### 12. Request to shareholders

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

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

Shareholders, whose signatures have undergone any change over a period of time, are requested to lodge their new specimen signature duly attested by a bank manager to the STA.

In terms of SEBI's circular no. MRD/DoP/Cir -05/1009 dated 20<sup>th</sup> May 2009, it has made it mandatory for transferees to furnish a copy of Permanent Account Number (PAN) for registration of transfer of shares held in physical mode.

In case of loss / misplacement of share certificates, Shareholders should immediately lodge a FIR / Complaint with the police and inform the

Company/STA with original or certified copy of FIR / acknowledged copy of complaint for marking stop transfer of shares.

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:

Shareholders are requested to note that NSDL and CDSL have announced the launch of SMS alert

facility for demat account holders whereby Shareholders will receive alerts for debits / credits (transfers) to their demat accounts a day after the transaction. These alerts will be sent to those account holders who have provided their mobile numbers to their respective DPs. No charge will be levied by NSDL / CDSL on DPs providing this facility to investors. This facility will be available to investors who request for the same and provide their mobile numbers to the DPs. Further information is available on the website of NSDL and CDSL namely [www.nsdl.co.in](http://www.nsdl.co.in) and [www.cdslindia.com](http://www.cdslindia.com), respectively.

Timely encashment of dividends:

Shareholders are requested to encash their dividends promptly to avoid hassles of revalidation/ losing your right of claim owing to transfer of unclaimed dividends beyond seven years to Investor Education and Protection Fund (IEPF).

As required by SEBI, shareholders are requested to furnish details of their bank account number 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 2004 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 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 to IEPF is given below:

Financial Year	Date of declaration	Date of transfer to special account	Date of transfer to IEPF
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

---

### **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 declarations received from members of the board and senior management personnel in terms of the relevant provisions of Clause 49 of the Listing Agreement, we hereby certify that both the members of the board and the senior management personnel of the Company have affirmed compliance with the respective provisions of the Code of Business Conduct and Ethics of the Company as laid down by the board for the year ended 31<sup>st</sup> March 2010.

Chennai  
30<sup>th</sup> July 2010

A G GIRIDHARAN  
*Manager cum President*

N ISWARYA LAKSHMI  
*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 2010, 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.

Chennai  
30<sup>th</sup> July 2010

For SUNDARAM & SRINIVASAN  
Chartered Accountants  
FRN: 004207S

M BALASUBRAMANIAM  
Partner  
Membership No.F7945

## Auditors' Report to the shareholders of Harita Seating Systems Limited, Chennai for the year ended 31<sup>st</sup> March, 2010

We have audited the attached balance sheet of Harita Seating Systems Limited, Chennai 600 006 as at 31<sup>st</sup> March 2010 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 2010 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 2010,
  - b. In so far as it relates to the profit and loss account, of the profit after tax for the year ended on that date, and
  - c. In so far as it relates to the cash flow statement, of the cash flows of the Company for the year ended on that date.

For SUNDARAM & SRINIVASAN  
Chartered Accountants  
FRN: 004207S

Chennai  
30<sup>th</sup> July 2010

M BALASUBRAMANIAM  
Partner  
Membership No.F7945

**Auditors' report to the shareholders of Harita Seating Systems Limited, Chennai for the year ended 31<sup>st</sup> March, 2010**

**Annexure referred to in our report of even date on the accounts for the year ended 31<sup>st</sup> March 2010**

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (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) During the year, the Company transferred Land, Buildings, Plant & machinery and other assets to its subsidiary namely M/s. Harita Fehrer Limited, Chennai (formerly Harita Polymer Limited) for the purpose of manufacture of Foams. The transfer did 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.
- The discrepancies between the physical stocks and the books stocks were not material and have been properly dealt with in the books of account.
- (iii) (a) During the year the Company has granted unsecured loan of Rs.5627.53 lakhs to one Company listed in the Register maintained under Section 301 of the Companies Act, 1956, which is also a subsidiary of the Company.
- The rate of interest and other terms and conditions are not prejudicial to the interest of the Company.
- The loan is not outstanding at the year end.
- (b) During the year, the Company has taken unsecured loan from one Company covered in the register maintained under Section 301 of the Companies Act, 1956.
- In our opinion, the rate of interest and the terms and other conditions of loan taken by the Company were not, *prima facie* prejudicial to the interest of the Company.
- The aggregate amount involved in the transaction is Rs. 1500 lakhs. This is outstanding at the year end. The payment of interest thereon was regular.
- (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 in value by rupees five lakhs during the year in respect of each party have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.

(vi) The Company has not accepted any deposit from the public.

(vii) The Company has an internal audit system which, in our opinion, is commensurate with the size and nature of its business.

(viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government under Section 209 (1)(d) of the Companies Act, 1956 for maintenance of cost records and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained.

(ix) (a) According to the records provided to us, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Employees State Insurance, Investor Education and Protection Fund, Sales Tax, Wealth Tax, Service Tax, Income Tax, Customs Duty, Excise Duty, Cess and other material statutory dues with the appropriate authorities. However certain marginally

delayed remittances were noticed in respect of some payments dealt with herein. The provisions of Employees State Insurance Act, 1948 are not applicable to the units at Hosur and Pune.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Service Tax, Customs Duty, Excise Duty and Cess were in arrears, as at 31<sup>st</sup> March 2010 for a period of more than six months from the date they became payable

(c) According to information and explanations given to us, the following is the detail of the disputed dues, that were not deposited with the concerned authorities:

Name of the statute	Nature of dues	Amount (Rs. in Lakhs)	Forum where dispute is pending
Income Tax Act, 1961	Income tax	0.98	Commissioner of Tax Act, 1961 Income-tax (Appeals), Chennai
Central Excise	Excise duty	199.81	The Commissioner of Central Excise, Chennai III Division, Commissionerate
Finance Act, 1994	Service tax	6.48	The Commissioner of Central Excise, Chennai III Division, Commissionerate
		4.82	The Asst. Commissioner of Central Excise, Hosur II Division, Hosur.
Karnataka Value Added Tax	Value Added Tax	5.95	The Joint. Commissioner of Commercial Taxes, (Appeals), Bangalore.
Tamil Nadu Value Added Tax	Value Added Tax	114.78	High Court at Judicature at Madras, Chennai.

- (x) The Company has not incurred cash loss during the year. However in the previous year, the Company had 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 banks.
- (xii) Based on our examination and according to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The Company is not a chit / nidhi / mutual benefit fund / society and as such clause (xiii) of the Order is not applicable.
- (xiv) The Company is not dealing or trading in shares, securities, debentures and other investments. However, the Company invests its surplus funds in mutual funds from time to time. During the year, the Company has invested in shares of the 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  
FRN: 004207S

Chennai  
30<sup>th</sup> July 2010

M BALASUBRAMANIAM  
Partner  
Membership No.F7945

**Balance Sheet as at 31<sup>st</sup> March, 2010**

Rupees in Lakhs

	Schedule Number	As at 31.03.2010	As at 31.03.2009
<b>I SOURCES OF FUNDS</b>			
<b>1. Shareholders' funds:</b>			
a) Capital	I	776.90	776.90
b) Reserves and Surplus	II	<u>2,072.98</u>	<u>2,055.78</u>
		<b>2,849.88</b>	2,832.68
<b>2. Loan Funds</b>			
a) Secured loans	III	3,348.62	9,134.98
b) Unsecured loans	IV	<u>2,073.65</u>	<u>1,065.05</u>
		<b>5,422.27</b>	10,200.03
<b>3. Deferred tax liability</b> (net of deferred tax asset) (vide Notes on Accounts under AS22)			
		<b>322.08</b>	444.29
TOTAL		<u><b>8,594.23</b></u>	<u>13,477.00</u>
<b>II APPLICATION OF FUNDS:</b>			
<b>1. Fixed assets</b>			
a) Gross block	V	7,758.82	11,494.96
b) Less: depreciation		<u>3,053.71</u>	<u>3,501.27</u>
c) Net block		<b>4,705.11</b>	7,993.69
d) Capital work-in-progress	VI	-	3.18
e) Acquisition expenditure pending – allocation		-	3.01
<b>2. Investments</b>	VII	<b>2,988.76</b>	259.85
<b>3. Current assets, loans and advances:</b>			
a) Interest accrued on deposits		0.97	0.61
b) Inventories	VIII	805.57	914.87
c) Sundry debtors	IX	5,612.18	6,014.42
d) Cash and bank balances	X	403.70	993.04
e) Other current assets	XI	161.72	78.75
f) Loans and advances	XII	<u>1,727.40</u>	<u>1,585.70</u>
TOTAL (A)		<u><b>8,711.54</b></u>	<u>9,587.39</u>
<b>Less: Current liabilities and provisions:</b>			
a) Current liabilities	XIII	7,336.84	3,629.86
b) Provisions	XIV	474.34	740.26
TOTAL (B)		<u>7,811.18</u>	<u>4,370.12</u>
Net current assets	(A)-(B)	<b>900.36</b>	5,217.27
TOTAL		<u><b>8,594.23</b></u>	<u>13,477.00</u>

 H LAKSHMANAN  
Chairman

 C N PRASAD  
Director

 A G GIRIDHARAN  
Manager cum President

 As per our report annexed  
For SUNDARAM & SRINIVASAN  
Chartered Accountants  
Firm Regn. No.004207S

 Chennai  
30<sup>th</sup> July, 2010

 N ISWARYA LAKSHMI  
Secretary

 M. BALASUBRAMANIAM  
Partner  
Membership No.F7945

**Profit and Loss Account for the year ended 31<sup>st</sup> March, 2010**

Rupees in Lakhs

	Schedule Number	Year ended 31.03.2010	Year ended 31.03.2009
Sales - Gross		<b>24,029.16</b>	21,833.07
Less: Excise duty and Service tax		<b>1,672.81</b>	2,207.89
Net Sales		<b>22,356.35</b>	19,625.18
Other income	XV	<b>893.51</b>	196.98
	<b>(A)</b>	<b>23,249.86</b>	19,822.16
Raw materials and components consumed	XVI	<b>16,426.22</b>	15,012.49
Salaries, wages, stores consumed and other expenses	XVII	<b>5,336.08</b>	4,478.91
	<b>(B)</b>	<b>21,762.30</b>	19,491.40
Profit before interest, depreciation and tax	(A)-(B)	<b>1,487.56</b>	330.76
Interest	XVIII	<b>704.44</b>	424.77
Depreciation		<b>883.52</b>	696.92
	<b>(D)</b>	<b>1,587.96</b>	1,121.69
Profit/(Loss) before tax	(C)-(D)	<b>(100.40)</b>	(790.93)
Provision for taxation - income-tax		<b>13.00</b>	-
- fringe benefit tax		-	19.31
- deferred tax		<b>(122.21)</b>	81.85
	<b>(F)</b>	<b>(109.21)</b>	101.16
Profit/(Loss) for the year (after tax)	(E)-(F)	<b>8.81</b>	(892.09)
Balance Profit brought forward		-	230.94
Profit/(Loss) for the year		<b>8.81</b>	(892.09)
		<b>8.81</b>	(661.15)
Tax relating to earlier years		<b>(8.39)</b>	(16.63)
Depreciation relating to earlier years		-	(0.30)
Balance surplus/(deficit) carried forward to balance sheet		<b>17.20</b>	(644.22)
		<b>8.81</b>	(661.15)
No. of equity shares		<b>7,769,040</b>	7,769,040
Nominal value of equity shares – Rs.		<b>10/-</b>	10/-
Basic and diluted earnings per share – Rs.		<b>0.11</b>	(11.48)
Notes on accounts	XIX		

 H LAKSHMANAN  
 Chairman

 C N PRASAD  
 Director

 A G GIRIDHARAN  
 Manager cum President

 As per our report annexed  
 For SUNDARAM & SRINIVASAN  
 Chartered Accountants  
 Firm Regn. No.004207S

 Chennai  
 30<sup>th</sup> July, 2010

 N ISWARYA LAKSHMI  
 Secretary

 M. BALASUBRAMANIAM  
 Partner  
 Membership No.F7945

**Schedules**

	<b>As at 31.03.2010</b>	Rupees in Lakhs As at 31.03.2009
<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 as Bonus Equity Shares 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>2,030.78</b>	2,675.00
Less: Balance in profit & loss account	<u>-</u>	<u>(644.22)</u>
	<b>2,030.78</b>	2,030.78
c) Capital redemption reserve	<b>10.00</b>	10.00
d) Surplus i.e Balance in profit and loss account	<b>17.20</b>	-
	<b>2,072.98</b>	2,055.78
<b>III SECURED LOANS</b>		
From banks		
a) Secured by a first charge on fixed assets of the Company	<b>453.65</b>	910.13
b) Secured by sole charge of specific fixed assets of the company	-	550.00
c) Secured by equitable mortgage of specified land and buildings and first charge on certain fixed assets and on all current assets on pari passu basis with existing lenders	<b>2,723.96</b>	6,040.29
d) Secured by hypothecation of raw materials, work-in-process, finished goods and book debts	<b>171.01</b>	1,634.56
	<b>3,348.62</b>	9,134.98
<b>IV UNSECURED LOANS</b>		
a) From bank - short term	<b>406.75</b>	398.15
b) From others - short term	<b>1,500.00</b>	500.00
- long term	<b>166.90</b>	166.90
	<b>2,073.65</b>	1,065.05

Schedules - (Continued)

V FIXED ASSETS

Rupees in Lakhs

Description	Total											
	Land	Lease hold land	Buildings	Plant & machinery	Vehicles	Office equipment	Software	Moulds	Furniture & fittings	Canteen Equipment	As at 31.03.2010	As at 31.03.2009
<b>Cost of assets</b>												
As at 01-04-2009	890.24	35.51	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
Additions	201.30	3.47	887.24	1,599.60	5.33	21.53	0.82	118.78	6.77	0.82	<b>2,845.66</b>	3,403.65
Sales/deletion	1,091.54	38.98	3,023.58	8,277.14	70.54	712.04	124.37	804.36	164.41	33.66	<b>14,340.62</b>	11,517.74
	202.23	-	1,004.24	4,965.71	43.95	112.50	13.51	172.12	67.54	-	<b>6,581.80</b>	22.78
Total	889.31	38.98	2,019.34	3,311.43	26.59	599.54	110.86	632.24	96.87	33.66	<b>7,758.82</b>	11,494.96
<b>Depreciation</b>												
Upto 31-03-2009	-	-	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
For the year	-	6.12	70.67	552.45	9.11	51.64	28.16	154.61	8.02	2.74	<b>883.52</b>	696.62
Total	-	6.12	381.08	3,019.41	27.47	455.62	117.34	309.16	50.45	18.14	<b>4,384.79</b>	3,510.80
Withdrawn on assets sold/deleted	-	-	24.21	1,217.56	6.44	24.82	13.51	30.97	13.57	-	<b>1,331.08</b>	9.53
Total	-	6.12	356.87	1,801.85	21.03	430.80	103.83	278.19	36.88	18.14	<b>3,053.71</b>	3,501.27
<b>Written down value</b>												
As at 31-03-2010	<b>889.31</b>	<b>32.86</b>	<b>1,662.47</b>	<b>1,509.58</b>	<b>5.56</b>	<b>168.74</b>	<b>7.03</b>	<b>354.05</b>	<b>59.99</b>	<b>15.52</b>	<b>4,705.11</b>	-
As at 31-03-2009	890.24	35.51	1,825.93	4,210.58	46.85	286.53	34.37	531.03	115.21	17.44	-	7,993.69

As at 31.03.2009

As at 31.03.2010

VI CAPITAL WORK-IN-PROGRESS (At Cost)

Machinery under installation

3.18

3.18

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

Rupees in Lakhs

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

S.No	Particulars	As at 1st April, 2009	Additions during the year	Sub total	Sales/realisation during the year	As at 31st March, 2010
(a)	(b)	(c)	(d)	(e)=(c)+(d)	(f)	(g)=(e)-(f)
<b>A</b>	<b>L&amp;T Mutual Fund, Mumbai (formerly DBS Cholomandalam Asset Management)</b>					
1	3,06,590,379 units in Small Cap - Cumulative	8.06	-	8.06	-	8.06
2	4,13,746,147 units in Hedged Equity Fund- Cumulative	30.41	-	30.41	-	30.41
	<b>Total (A)</b>	<b>38.47</b>	<b>-</b>	<b>38.47</b>	<b>-</b>	<b>38.47</b>
<b>B</b>	<b>SBI Mutual Fund, Chennai</b>					
1	1,29,634,431 units in Magnum Equity Fund -Growth	26.56	-	26.56	26.56	-
	<b>Total (B)</b>	<b>26.56</b>	<b>-</b>	<b>26.56</b>	<b>26.56</b>	<b>-</b>
<b>C</b>	<b>Birla Sun Life Mutual Fund, Chennai</b>					
1	634146.341 Units in Birla Sun Life International Equity - Plan B - growth	33.82	-	33.82	-	33.82
	<b>Total (C)</b>	<b>33.82</b>	<b>-</b>	<b>33.82</b>	<b>-</b>	<b>33.82</b>
<b>D</b>	<b>HDFC Standard Life Insurance, Mumbai</b>					
1	403,353,176 units in HDFC group unit linked plan Balanced Managed Fund	156.00	1.47	157.47	-	157.47
	<b>Total (D)</b>	<b>156.00</b>	<b>1.47</b>	<b>157.47</b>	<b>-</b>	<b>157.47</b>
	<b>Total (a) = (A+B+C+D)</b>	<b>254.85</b>	<b>1.47</b>	<b>256.32</b>	<b>26.56</b>	<b>229.76</b>

<b>b.</b>	<b>Trade-unquoted</b>					
	<b>In subsidiary company :</b>					
1	50,000 equity shares of Rs.10/- each fully paid up in Harita Fehrer Ltd, Chennai a subsidiary (formerly known as Harita Polymer Ltd, Chennai)	5.00	-	5.00	-	5.00
2	1,02,00,000 equity shares of Harita Fehrer Ltd., Chennai a subsidiary @ Rs.10/- each (premium of Rs.17/- each) per share fully paid.		2,754.00	2,754.00	-	2,754.00
	<b>Total (b)</b>	<b>5.00</b>	<b>2,754.00</b>	<b>2,759.00</b>	<b>-</b>	<b>2,759.00</b>
	<b>Grand Total (a) + (b)</b>	<b>259.85</b>	<b>2,755.47</b>	<b>3,015.32</b>	<b>26.56</b>	<b>2,988.76</b>
<b>(Aggregate market value of all non trade quoted investments Rs.329.99 lakhs - Last year Rs.230.38 lakhs)</b>						

**Schedules - (Continued)**

Rupees in lakhs

	As at 31.03.2010	As at 31.03.2009
<b>VIII INVENTORIES (at cost)</b>		
* Raw materials and components	335.73	499.96
* Work-in-process	237.02	136.08
* Finished goods	144.01	132.51
* Stores	80.63	58.79
Goods in bond	8.18	87.53
	<b>805.57</b>	<b>914.87</b>
* As certified by a director		
<b>IX SUNDRY DEBTORS</b>		
a) Debts outstanding for a period exceeding six months		
- Unsecured considered good	779.15	318.61
- Unsecured considered doubtful	383.72	192.66
	<b>1,162.87</b>	<b>511.27</b>
Less: Provision for doubtful debts	383.72	192.66
	<b>779.15</b>	<b>318.61</b>
b) Other debts		
- Unsecured considered good [includes due from subsidiary company : Rs. 452.49 lakhs] [Last year : Rs.3,326.97 lakhs]	4,833.03	5,695.81
	<b>5,612.18</b>	<b>6,014.42</b>
<b>X CASH AND BANK BALANCES</b>		
a) Cash on hand	39.00	11.12
b) With scheduled banks		
1) Current accounts	361.91	979.13
2) Deposit accounts	2.79	2.79
	<b>403.70</b>	<b>993.04</b>
<b>XI OTHER CURRENT ASSETS</b>		
a) Prepaid expenses	77.85	76.09
b) Income-tax deducted at source	83.87	2.66
	<b>161.72</b>	<b>78.75</b>
<b>XII LOANS AND ADVANCES-unsecured considered good</b>		
a) Advances recoverable in cash or in kind or for value to be received	1,662.42	1,525.66
b) Deposits (Due from subsidiary company viz M/s. Harita Fehrer Limited, Chennai - Nil. Maximum loan outstanding at any time during the year Rs.5,627.53 lakhs).	64.98	60.04
	<b>1,727.40</b>	<b>1,585.70</b>
<b>XIII CURRENT LIABILITIES</b>		
a) Sundry creditors	7,326.85	3,618.56
b) Investor Education and Protection Fund - Unpaid dividend	9.99	11.30
	<b>7,336.84</b>	<b>3,629.86</b>

**Schedules - (Continued)**

	As at/year ended 31.03.2010	Rupees in lakhs As at/year ended 31.03.2009
<b>XIV PROVISIONS</b>		
a) Taxation - Income-tax	<b>161.81</b>	388.00
- Fringe benefit tax	-	60.81
b) Warranty	<b>66.03</b>	61.03
c) Leave pay	<b>38.28</b>	33.81
d) Pension	<b>195.78</b>	165.79
e) Others	<b>12.44</b>	30.82
	<b>474.34</b>	740.26
<b>XV OTHER INCOME</b>		
a) Scrap sales	<b>65.37</b>	60.90
b) Labour charges received (gross)	-	0.43
c) Profit on sale of assets	<b>716.10</b>	0.23
d) Profit on sale of investments	<b>24.32</b>	6.67
e) Management services charges (gross)	<b>12.50</b>	-
(TDS Rs.1 .38 lakhs) (Last year Rs.-Nil-)		
f) Miscellaneous income (see note no.8)	<b>75.22</b>	128.75
	<b>893.51</b>	196.98
<b>XVI RAW MATERIALS AND COMPONENTS CONSUMED</b>		
OPENING 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
	<b>768.55</b>	895.94
Purchase of raw materials and components	<b>16,374.43</b>	14,885.10
Total (A)	<b>17,142.98</b>	15,781.04
CLOSING STOCK		
Raw materials	<b>335.73</b>	499.96
Work-in-process	<b>237.02</b>	136.08
Finished goods	<b>144.01</b>	132.51
Total (B)	<b>716.76</b>	768.55
Consumption (A) - (B)	<b>16,426.22</b>	15,012.49

**Schedules - (Continued)**

 Rupees in lakhs  
 Year ended  
 31.03.2009

**XVII SALARIES, WAGES, STORES CONSUMED AND OTHER EXPENSES**

	<b>Year ended 31.03.2010</b>	Year ended 31.03.2009
a) Salaries, wages and bonus*#	<b>1,677.77</b>	1,518.86
b) Contribution to provident and other funds*#	<b>144.24</b>	113.18
c) Staff welfare expenses*	<b>256.79</b>	255.21
d) Stores and tools consumed	<b>283.10</b>	278.90
e) Power and fuel*	<b>301.59</b>	281.73
f) Rent*	<b>24.00</b>	12.06
g) Rates and taxes*	<b>51.86</b>	39.70
h) Repairs and maintenance*		
- Building	<b>93.96</b>	71.23
- Machinery	<b>294.68</b>	158.33
- Other assets	<b>107.89</b>	53.00
i) Audit fees - as auditors	<b>6.00</b>	6.00
- tax audit	<b>1.00</b>	1.00
- certification	<b>0.50</b>	2.05
j) Directors' sitting fees	<b>1.18</b>	1.45
k) Insurance	<b>66.10</b>	27.88
l) Other expenses* (see note no.7)	<b>2,022.69</b>	1,541.89
m) Excise duty paid on samples	<b>1.89</b>	1.32
n) Loss on sale of assets	<b>0.84</b>	7.15
o) Provision for diminution in market value of investments	-	107.97
	<b><u>5,336.08</u></b>	<u>4,478.91</u>

[ \* Net of recoveries]

[# includes to manager] (Vide Note 13)

**XVIII INTEREST**

a) On fixed loans	<b>863.33</b>	190.05
b) On other loans	<b>433.12</b>	238.05
Total (A)	<b><u>1,296.45</u></b>	<u>428.10</u>
Less : Interest income		
a) Interest on advances and deposits (gross) (TDS Rs. 0.25 lakhs) (Last year Rs. 0.28 lakhs)	<b>2.21</b>	3.33
a) Interest on loan (gross) (TDS Rs. 58.98 lakhs) (Last year Rs. NIL)	<b>589.80</b>	-
Total (B)	<b><u>592.01</u></b>	<u>3.33</u>
(A) – (B)	<b><u>704.44</u></b>	<u>424.77</u>

**Schedules - (Continued)**

Rupees in lakhs

**As at/year ended**      **As at/year ended**  
**31.03.2010**              **31.03.2009**

**XIX NOTES ON ACCOUNTS**

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

**ACCOUNTING STANDARD (1) - Disclosure of Accounting policies**

The accounts are maintained on accrual basis on a going concern.

**ACCOUNTING STANDARD (2) - Valuation of Inventories**

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.

**ACCOUNTING STANDARD (3) - Cash flow statement**

The cash flow statement is prepared under "Indirect method" and the same is annexed.

**ACCOUNTING STANDARD (4) -Contingencies and events occurring after the balance sheet date**

Details regarding contested liabilities are furnished in Note No.4 and also disclosed under Accounting Standard -29.

**ACCOUNTING STANDARD (5) - Prior period items**

- Legal & retainer fee	<b>1.12</b>	-
- Data and peripherals charges	<b>0.28</b>	-
- Testing charges	<b>2.44</b>	-
- Depreciation relating to previous year(Net of Debit and Credit)	-	(0.30)
- Lease Rent	-	(1.08)
- Rates & Taxes	-	0.07
- Electricity charges	-	0.80

**ACCOUNTING STANDARD (6) - Depreciation accounting**

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 fixed under Schedule XIV of the Companies Act, 1956.This method is continued for moulds acquired before 31<sup>st</sup> March, 2002 and put to use. In respect of moulds acquired on and after

**Schedules - (Continued)**

	<b>As at/year ended 31.03.2010</b>	Rupees in lakhs As at/year ended 31.03.2009
<b>XIX NOTES ON ACCOUNTS-contd.,</b>		
<p>1<sup>st</sup> April, 2002 and put to use, depreciation is charged based on quantity of seat cushions manufactured.</p> <p>Until the year ended 31<sup>st</sup> March, 2002, tools and fixtures were depreciated by applying rates 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%.</p> <p>Depreciation in respect of assets acquired during the year whose actual cost does not exceed Rs.5,000/- has been provided at 100%.</p> <p>During the year accelerated depreciation provided on moulds used for slow moving items.</p>		
<b>ACCOUNTING STANDARD (7) - Construction contracts</b>	<b>Not applicable</b>	Not applicable
<b>ACCOUNTING STANDARD (8) - R &amp; D</b>		
This standard is deleted from 1 <sup>st</sup> April, 2003.		
<b>ACCOUNTING STANDARD (9) - Revenue recognition</b>		
<p>The Income of the Company is derived from manufacture and sale of seating systems for automotive and non automotive application and other parts and accessories for automotive and non automotive application. Indigenous sales are recognised based on raising of invoices and delivery of goods thereof to the carrier.</p> <p>Export sales are recognised on the basis of date of Let export certificate.</p> <p>The revenue and expenditure are accounted on a going concern basis.</p> <p>Interest income/expense is recognised using the time proportion method based on rates implicit in the transaction.</p>		
<b>ACCOUNTING STANDARD (10) - Accounting for fixed assets</b>		
Fixed assets are stated at cost less accumulated depreciation		
<b>ACCOUNTING STANDARD (11) - Accounting for effects of changes in foreign exchange rates</b>		
<p>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.</p>		
Net exchange difference debited to Profit and loss account	<b>51.68</b>	0.97

Schedules - (Continued)

	As at/year ended 31.03.2010	Rupees in lakhs As at/year ended 31.03.2009
<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 deductible from the carrying cost of such assets is not applicable as the Company did not have any external commercial borrowings for acquisition of any asset.		
The Company has not entered into any transaction in derivative instruments and hence reporting on currency swapping/interest rate structure does not arise.		
<b>ACCOUNTING STANDARD (12) - Accounting for Government grants</b>		
No grant has been received during the year.		
<b>ACCOUNTING STANDARD (13) - Accounting for Investments</b>		
Investments are valued at cost. Provision for diminution in the carrying cost of investments is made, if such diminution is other than temporary in nature, in the opinion of the management.		
<b>ACCOUNTING STANDARD (14) - Accounting for Amalgamation</b>	<b>Not applicable</b>	Not applicable
<b>ACCOUNTING STANDARD (15) - Employee benefits</b>		
A Defined contribution plan		
Contributions to provident fund is in the nature of defined contribution plan and are made to provident fund maintained by Government.		
B Defined benefit plans		
(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 31.03.2010		
	Leave Salary	Pension	Gratuity
(a) Expenses recognised in the Profit & Loss Account			
(i) Current service cost	5.81	-	16.09
(ii) Interest cost	1.76	14.20	15.27
(iii) Expected return on plan assets	-	-	(16.95)
(iv) Net actuarial loss/(gain) recognised in the year	21.11	22.91	12.35
Total	<b>28.68</b>	<b>37.11</b>	<b>26.76</b>
(b) Change in defined benefit obligation during the year ended 31 <sup>st</sup> March 2010			
(i) Present total value of obligation as at the beginning of the year (01-04-2009)	33.81	165.79	190.89
(ii) Interest cost	1.76	14.20	15.27
(iii) Current service cost	5.81	-	16.09
(iv) Benefits paid	(24.21)	(7.12)	(29.50)
(v) Actuarial loss on obligation	21.11	22.91	12.35
(vi) Present value of obligation as at the end of the year (31-03-2010)	<b>38.28</b>	<b>195.78</b>	<b>205.10</b>
(c) Change in fair value of plan assets during the year ended 31 <sup>st</sup> March 2010			
(i) Fair value of plan assets at the beginning of the year (01-04-2009)	-	-	195.97
(ii) Expected return on plan assets	-	-	16.95
(iii) Contributions made during the year	-	-	28.12
(iv) Benefits paid	-	-	(29.50)
(v) Actuarial gain on plan assets	-	-	-
(vi) Fair value of plan assets as at the end of the year (31-03-2010)	-	-	<b>211.54</b>
(d) Balance Sheet movements			
(i) Value of benefit obligations / (net assets) at the beginning of the year (01-04-2009)	33.81	165.79	-
(ii) Contributions made during the year	-	-	(28.12)
(iii) Expenses	28.68	37.11	26.76
(iv) Benefits paid	(24.21)	(7.12)	-
(v) Value of benefit	<b>38.28</b>	<b>195.78</b>	<b>(1.36)</b>
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	<b>8.00%</b>	<b>8.75%</b>	<b>8.00%</b>
(ii) Expected return on plan assets	Not applicable	Not applicable	<b>8.00%</b>

**Schedules - (Continued)**

Rupees in lakhs

**As at/year ended**      **As at/year ended**  
**31.03.2010**              **31.03.2009**

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

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

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	-	<u>30.52</u>

**ACCOUNTING STANDARD (17) - Segment reporting**

The operations of the entity relate to manufacture of seating system for automotive & non automotive applications and other parts and accessories for automotive and non automotive applications. The income from sale of other parts and accessories being individually less than ten percent of total revenue, no separate disclosure is made.

**ACCOUNTING STANDARD (18) - Related party disclosures**

**LIST OF RELATED PARTIES**

a) Reporting entity	Harita Seating Systems Limited, Chennai	
b) Subsidiary company	Harita Fehrer Limited, Chennai	
c) Company having managerial personnel in common	Sundaram Auto Components Limited, Chennai	
d) Key management personnel	Mr.S.Thiagarajan Manager cum President - upto 10.11.2009	
	Mr. A.G Giridharan Manager cum President - from 11.11.2009	
e) Nature of transaction	<b>31.03.2010</b>	31.03.2009
1 Salary	<b>35.86</b>	42.40
2 Contribution to Provident and other funds	<b>1.49</b>	2.65
3 Performance incentive	-	2.95

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

Related party transaction		Rupees in lakhs	
S.No	Nature of transaction	As at/year ended 31.03.2010	As at/year ended 31.03.2009
1	<b>Purchase of goods</b>		
	Subsidiary company	278.08	-
	Companies under the same management	657.55	-
2	<b>Sale of goods</b>		
	Subsidiary company	281.02	-
3	<b>Rendering services</b>		
	Subsidiary company	943.90	0.43
	Companies under the same management	173.41	-
4	<b>Receiving services</b>		
	Companies under the same management	139.71	-
5	<b>Equity contribution</b>		
	Subsidiary company	2,754.00	5.00
6	<b>Business Purchase Agreement consideration received</b>		
	Subsidiary company	4,650.00	-
7	<b>Purchase consideration for acquisition of Polyflex India Pvt Ltd's business</b>		
	Subsidiary company	-	3,326.54
8	<b>Inter-corporate advances given</b>		
	Subsidiary company	-	492.63
9	<b>Amount outstanding as at Balance Sheet date</b>		
	<b>Receivable</b>		
	Subsidiary company	452.49	-
	Companies under the same management	5.69	-

**ACCOUNTING STANDARD (19) - Accounting for leases**
**Not applicable**

Not applicable

**ACCOUNTING STANDARD (20) - Earnings per share**

Disclosure is made in the Profit &amp; Loss Account as per the requirement of the standard.

**ACCOUNTING STANDARD (21) - Consolidated financial statements**

The consolidated financial statements of the Company and its subsidiary is enclosed.

**Schedules - (Continued)**

	<b>As at/year ended 31.03.2010</b>	Rupees in lakhs As at/year ended 31.03.2009
<b>XIX 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
	- tax on expenses claimed on payment basis under Income-tax Act, 1961	130.14
	<b>(A)</b>	<u>881.16</u>
2	Deferred tax asset consists of:	
	- tax on provision in respect of expenditure which will be allowed under the Income-tax Act, 1961 only on payment basis	436.87
	<b>(B)</b>	<u>436.87</u>
	Deferred tax liability (net of deferred tax asset) (refer Balance Sheet)	444.29
	<b>(A)-(B)</b>	<b>322.08</b>
	<b>ACCOUNTING STANDARD (23) - Investment in associates</b>	-Nil-
	<b>ACCOUNTING STANDARD (24) - Discontinuing operations</b>	-Nil-
During the year, the Company started and discontinued the operations at Mysore. The closure does not affect the earnings - generating capacity.		
<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	2 years
	- Amortisation rates used	50% each year as depreciation

**Schedules - (Continued)**

	<b>As at/year ended 31.03.2010</b>	Rupees in lakhs As at/year ended 31.03.2009
<b>XIX NOTES ON ACCOUNTS-contd.,</b>		
- Gross carrying amount at the beginning and at the end of the period		
Opening balance	<b>123.55</b>	65.96
Addition during the year	<b>0.82</b>	57.59
Total	<b>124.37</b>	123.55
Amortised as depreciation	<b>103.83</b>	89.18
Sale during the year	<b>13.51</b>	
Closing balance	<b>7.03</b>	34.37

**ACCOUNTING STANDARD (27) - Financial reporting of interest in Joint Venture**

Harita Fehrer Limited, Chennai was a wholly owned subsidiary company at the commencement of the year. During the year the Company invested in 1,02,00,000 equity shares of Rs.10/- each at a premium of Rs.17/- each aggregating to Rs.2,754 lakhs. By virtue of memorandum of understanding dated 28.05.2009, M/s. F.S. Fehrer Automotive GmbH, Germany also invested in 68,33,364 equity shares of Harita Fehrer Limited, Chennai on 8<sup>th</sup> February, 2010. Thus, the wholly owned subsidiary company namely Harita Fehrer Limited became a subsidiary of the Company and a Joint Venture with M/s. F.S. Fehrer Automotive GmbH, Germany.

**ACCOUNTING STANDARD (28) - Impairment of assets**

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 other than Rs.54.88 lakhs debited to profit and loss account.

**ACCOUNTING STANDARD (29) - Provisions, contingent liabilities and contingent assets**

1. Provisions

In respect of warranty obligations provision is made in accordance with terms of sale of seat assemblies. Refer schedule no. XIV of the Balance Sheet

2. Contingent liabilities

The amount for which the Company is contingently liable are disclosed in Note No. 3

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.4

**Schedules - (Continued)**

		As at/year ended <b>31.03.2010</b>	Rupees in lakhs As at/year ended 31.03.2009
<b>XIX</b>	<b>NOTES ON ACCOUNTS-contd.,</b>		
2.	During the year, on 22.01.2010 the Company has transferred fixed assets like land, building, plant and machinery, office equipment and also current assets like inventories, receivables net of current liabilities to the subsidiary company namely Harita Fehrer Limited, Chennai, as approved by the shareholders of the Company through Postal Ballot.		
3.	<b>Contingent liabilities not provided for</b>		
	a) On counter guarantee furnished to bank	<b>517.23</b>	417.41
	b) On letters of credit opened with bank	-	192.00
	c) On account of bill discounting	<b>64.80</b>	-
	d) Customs duty under EPCG scheme	<b>189.13</b>	-
4.	<b>Liability contested and not provided for</b>		
	a) Income tax	<b>0.98</b>	0.98
	b) Service tax	<b>11.30</b>	10.38
	c) Central Excise	<b>199.81</b>	4.63
	d) Value Added Tax	<b>120.73</b>	3.93
5.	<b>Deposit includes deposit with Central Excise</b>	<b>0.91</b>	1.27
6.	<b>Sundry creditors include:</b>		
	a) Dues to small scale industrial undertakings	<b>434.95</b>	464.48
	b) Dues of creditors other than small scale industrial undertakings	<b>3,893.28</b>	3,154.08
	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.		

**Schedules - (Continued)**

		As at/year ended <b>31.03.2010</b>	Rupees in lakhs As at/year ended 31.03.2009
<b>XIX</b>	<b>NOTES ON ACCOUNTS-contd.,</b>		
	<b>7. Other expenses include:</b>		
	a) Reimbursement of expenses to auditors	<b>4.50</b>	3.50
	b) Legal & retainer fees	<b>279.17</b>	197.59
	c) Carriage outwards	<b>503.34</b>	668.64
	d) Warranty claims	<b>299.47</b>	11.53
	e) Commission	<b>151.85</b>	114.04
	f) Cash discount	<b>28.40</b>	5.78
	<b>8. Miscellaneous income under other income includes:</b>		
	a) Packing cost recoveries	<b>0.37</b>	0.32
	b) Lease rent	<b>15.71</b>	-
	<b>9. Cash &amp; bank balances include:</b>		
	a) Cheques on hand	<b>33.52</b>	5.30
	b) Unpaid dividend	<b>9.98</b>	11.30
	<b>10. Expenses, wherever applicable are inclusive of service tax at appropriate rates and net off service tax set off permissible.</b>		
	<b>11. R &amp; D revenue expenses:</b>		
	a) Salary	<b>254.16</b>	219.94
	b) Testing charges	<b>20.60</b>	37.27
	c) Design development charges	<b>2.69</b>	7.14
	d) Consumables, Labour charges (Net)	<b>18.88</b>	-
	e) Travel expenses	<b>12.04</b>	4.95
	<b>12. R &amp; D capital expenditure:</b>		
	a) Plant and machinery	<b>0.82</b>	-
	b) Office equipment (computers)	-	98.01
	<b>13. Managerial remuneration includes:</b>		
	a) Salary	<b>35.86</b>	42.40
	b) Contribution to Provident and other funds	<b>1.49</b>	2.65
	c) Performance linked incentive	-	2.95

**Schedules - (Continued)**
**XIX NOTES ON ACCOUNTS-contd.,**
**14. Disclosure made in terms of clause 32 of the Listing Agreement with Stock Exchanges**

Rupees in lakhs

Particulars		Name of the Company	Amount outstanding as on 31.3.2010	Maximum amount due at any one time during the year	Amount outstanding as on 31.3.2009
a)	Loans and advances made				
(i)	Loans and advances in the nature of loans made to subsidiary company	Harita Fehrer Limited, Chennai (Formerly Harita Polymer Ltd)	Nil	5,627.53	492.63
(ii)	Loans and advances in the nature of loans made to associate company	Not applicable	Not applicable	Not applicable	Not applicable
(iii)	Loans and advances in the nature of loans where there is				
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
(iv)	Loans and advances in the nature of loans made to firms/companies in which directors of the company are interested	NIL	NIL	NIL	NIL
(b)	Investments by the Company In subsidiary company	Harita Fehrer Limited, Chennai (Formerly Harita Polymer Ltd) (1,02,00,000 equity shares of Rs.10/- each at premium of Rs. 17/- per share (Last year : 50,000 shares of Rs.10/- each)	2,759.00		5.00

**15.** Sundry debtors - other debts includes Rs.5.69 lakhs due from a company under the same management viz Sundaram Auto Components Limited, Chennai.

**16.** Previous year's figures have been regrouped wherever necessary to conform to the current year's classification.

H LAKSHMANAN  
Chairman

C N PRASAD  
Director

A G GIRIDHARAN  
Manager cum President

As per our report annexed  
For SUNDARAM & SRINIVASAN  
Chartered Accountants  
Firm Regn. No.004207S

Chennai  
30<sup>th</sup> July, 2010

N ISWARYA LAKSHMI  
Secretary

M. BALASUBRAMANIAM  
Partner  
Membership No.F7945

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

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

Rupees in lakhs

**I RAW MATERIALS CONSUMED**

A. Basic raw materials	Unit	Year ended 31.03.2010		Year ended 31.03.2009	
		Quantity	Value	Quantity	Value
a) Polyol	Kgs	10,06,907	1,272.16	10,75,917	1,412.87
b) Isocyanate	Kgs	4,03,887	723.01	6,65,989	822.67
c) Others (which include sheets, tubes, upholstery materials etc., which individually do not account for 10% or more of the total value of consumption)			14,543.49		12,801.75
			<u>16,538.66</u>		<u>15,037.29</u>

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

	% of total consumption	Value	% of total consumption	Value
a) Imported	5.67	937.55	8.78	1,319.78
b) Indigenous	94.33	15,601.11	91.22	13,717.51
	<u>100.00</u>	<u>16,538.66</u>	<u>100.00</u>	<u>15,037.29</u>

**C. Consumption of machinery spares**

	% of total consumption	Value	% of total consumption	Value
a) Imported	5.07	11.13	13.68	21.66
b) Indigenous	94.93	208.59	86.32	136.67
	<u>100.00</u>	<u>219.72</u>	<u>100.00</u>	<u>158.33</u>

**II IMPORTS - CIF VALUE**

a) Raw materials & components	762.40	1,106.73
b) Capital goods	928.07	68.22
c) Spares	11.13	94.00

**Schedules - (Continued)**

	<b>Year ended 31.03.2010</b>	Rupees in lakhs Year ended 31.03.2009
<b>XIX NOTES ON ACCOUNTS-contd.,</b>		
<b>III OTHER EXPENDITURE IN FOREIGN EXCHANGE</b>		
a) Travel	<b>9.55</b>	7.63
b) Consultancy fee	<b>114.67</b>	8.30
c) Others	<b>303.52</b>	22.30
<b>IV EARNINGS IN FOREIGN EXCHANGE</b>		
Exports - F.O.B	<b>1,117.25</b>	1,262.29
<b>V PAYMENT TO NON-RESIDENT SHAREHOLDERS</b>		
a) No. of non-resident shareholders	<b>1</b>	1
b) No. of shares held by non-residents	<b>10,87,600</b>	10,87,600
c) Dividend	<b>-</b>	27.19
		(relating to the year 2007 - 08)
<b>VI SALE BY CLASS OF GOODS</b>		
	<b>Year ended 31.03.2010</b>	year ended 31.03.2009
	<b>Quantity (Nos.)</b>	<b>Value</b>
	<b>Quantity (Nos.)</b>	<b>Value</b>
<b>Seats:</b>		
For automotive application	<b>29,02,058</b>	<b>21,361.90</b>
Others		23,90,838 19,470.93
	<b>994.45</b>	154.25
	<b>22,356.35</b>	<b>19,625.18</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 31.03.2010</b>		Rupees in lakhs Year ended 31.03.2009	
	<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>14,216</b>	<b>132.51</b>	11,861	106.50
Add: Production/purchase meant for sale	<b>28,90,732</b>		<u>23,93,193</u>	
Total	<b>29,04,948</b>		24,05,054	
Less: Closing stock	<b>2,890</b>	<b>144.01</b>	<u>14,216</u>	132.51
Sales	<b>29,02,058</b>		<u>23,90,838</u>	

**b. Spares**

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

H LAKSHMANAN  
Chairman

C N PRASAD  
Director

A G GIRIDHARAN  
Manager cum President

As per our report annexed  
For SUNDARAM & SRINIVASAN  
Chartered Accountants  
Firm Regn. No.004207S

Chennai  
30<sup>th</sup> July, 2010

N ISWARYA LAKSHMI  
Secretary

M. BALASUBRAMANIAM  
Partner  
Membership No.F7945

**Cash flow statement for the year ended 31<sup>st</sup> March, 2010**

Rupees in lakhs

 Year ended  
31.03.2009

**A CASH FLOW FROM OPERATING ACTIVITIES**

	<b>Year ended 31.03.2010</b>		Year ended 31.03.2009
Profit before tax and extra ordinary items	<b>(100.40)</b>		(790.93)
Add:			
Depreciation	<b>883.52</b>		696.92
Depreciation on assets sold	<b>(1,331.08)</b>		(9.53)
Diminution in the market value of investments	–		107.97
Income-tax relating to earlier years	<b>8.39</b>		16.63
Interest income	<b>(592.01)</b>		(3.33)
Interest expenditure	<b>1,296.45</b>		428.10
	<b>265.27</b>		1,236.76
Operating profit before working capital changes	<b>164.87</b>		445.83
Adjustments for:			
Interest accrued	<b>(0.36)</b>		(0.26)
Inventory	<b>109.30</b>		70.99
Trade receivables	<b>402.24</b>		(3,001.48)
Loans and advances	<b>(141.70)</b>		(184.63)
Other current assets	<b>(82.97)</b>		(32.43)
Trade payables and provisions	<b>3,428.06</b>		(603.39)
	<b>3,714.57</b>		(3,751.20)
Cash generated from operations	<b>3,879.44</b>		(3,305.37)
Direct tax paid	–		(19.31)
	–		(19.31)
Net cash from operating activities -(A)	<b>3,879.44</b>		(3,324.68)

**B CASH FLOW FROM INVESTING ACTIVITIES**

Purchase of fixed assets	<b>(2,839.47)</b>		(3,162.89)
Sale of fixed assets	<b>6,581.80</b>		22.78
Purchase of investments	<b>(2,755.47)</b>		(5.00)
Sale of investments	<b>26.56</b>		74.56
Interest received	<b>592.01</b>		3.33
	<b>1,605.43</b>		(3,067.22)
Net cash used in investing activities -(B)	<b>1,605.43</b>		(3,067.22)

**Cash flow statement for the year ended 31<sup>st</sup> March, 2010**

Rupees in lakhs

	<b>Year ended 31.03.2010</b>	Year ended 31.03.2009
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>		
Secured loans repaid	<b>(5,786.36)</b>	<b>7,184.12</b>
Unsecured loans availed	<b>1,008.60</b>	<b>376.18</b>
Interest paid	<b>(1,296.45)</b>	<b>(428.10)</b>
	<b>(6,074.21)</b>	<b>7,132.20</b>
Net cash from financing activities - (C)	<b>(6,074.21)</b>	<b>7,132.20</b>
<b>D NET INCREASE IN CASH AND CASH EQUIVALENTS (A)+(B)+(C)</b>	<b>(589.34)</b>	<b>740.30</b>
Cash and cash equivalents at the beginning of the year	<b>993.04</b>	<b>252.74</b>
Cash and cash equivalents at the end of the year	<b>403.70</b>	<b>993.04</b>

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

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

H LAKSHMANAN  
Chairman

C N PRASAD  
Director

A G GIRIDHARAN  
Manager cum President

As per our report annexed  
For SUNDARAM & SRINIVASAN  
Chartered Accountants  
Firm Regn. No.004207S

Chennai  
30<sup>th</sup> July, 2010

N ISWARYA LAKSHMI  
Secretary

M. BALASUBRAMANIAM  
Partner  
Membership No.F7945

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

**I REGISTRATION DETAILS**

Registration no.: 

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

 Date: 

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

CIN: 

L	2	7	2	0	9	TN	1	9	9	6	P	L	C	0	3	5	2	9	3
---	---	---	---	---	---	----	---	---	---	---	---	---	---	---	---	---	---	---	---

Balance sheet date: 

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

 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: 

	8	5	9	4	2	3
--	---	---	---	---	---	---

 Total assets: 

	8	5	9	4	2	3
--	---	---	---	---	---	---

**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>7</td><td>2</td><td>9</td><td>8</td></tr></table>	2	0	7	2	9	8
	7	7	6	9	0										
2	0	7	2	9	8										
Secured loans	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>3</td><td>3</td><td>4</td><td>8</td><td>6</td><td>2</td></tr></table>	3	3	4	8	6	2	Unsecured loans	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>2</td><td>0</td><td>7</td><td>3</td><td>6</td><td>5</td></tr></table>	2	0	7	3	6	5
3	3	4	8	6	2										
2	0	7	3	6	5										
Deferred Tax	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>3</td><td>2</td><td>2</td><td>0</td><td>8</td></tr></table>		3	2	2	0	8								
	3	2	2	0	8										

**Application of funds**

Net fixed assets	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>4</td><td>7</td><td>0</td><td>5</td><td>1</td><td>1</td></tr></table>	4	7	0	5	1	1	Investments	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>2</td><td>9</td><td>8</td><td>8</td><td>7</td><td>6</td></tr></table>	2	9	8	8	7	6
4	7	0	5	1	1										
2	9	8	8	7	6										
Net current assets	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>9</td><td>0</td><td>0</td><td>3</td><td>6</td></tr></table>		9	0	0	3	6	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
	9	0	0	3	6										
			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>2</td><td>3</td><td>2</td><td>4</td><td>9</td><td>8</td><td>6</td></tr></table>	2	3	2	4	9	8	6	Total expenditure	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>2</td><td>3</td><td>3</td><td>5</td><td>0</td><td>2</td><td>6</td></tr></table>	2	3	3	5	0	2	6
2	3	2	4	9	8	6											
2	3	3	5	0	2	6											
Loss before tax	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>-</td><td>1</td><td>0</td><td>0</td><td>4</td><td>0</td></tr></table>	-	1	0	0	4	0	Profit after tax	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td>8</td><td>8</td><td>1</td></tr></table>				8	8	1		
-	1	0	0	4	0												
			8	8	1												
Earnings per share (Rs)	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td>0</td><td>.</td><td>1</td><td>1</td></tr></table>			0	.	1	1	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		
		0	.	1	1												
			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 Fehrer Limited, Chennai
(1)	(2)	(3)
1	Financial year of the subsidiary	01.01.2009 - 31.03.2010
2	Shares of the subsidiary held by the Company on the above date (a) Number and face value	1,02,50,000 Equity shares of Rs.10/- each fully paid up
	(b) Extent of holding	60%
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	Rs. (449.78) lakhs
	(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	Nil
	(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	Not applicable
	i) Fixed assets	
	ii) Investments	
	iii) Money lent	
	iv) Borrowings other than for meeting current liabilities	

H LAKSHMANAN  
Chairman

C N PRASAD  
Director

A G GIRIDHARAN  
Manager cum President

Chennai  
30<sup>th</sup> July, 2010

N ISWARYA LAKSHMI  
Secretary

---

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

---

### AUDITORS' REPORT ON CONSOLIDATED ACCOUNTS

We have audited the attached consolidated Balance Sheet of Harita Seating Systems Limited, Chennai and its subsidiary viz., Harita Fehrer Limited, Chennai as at 31<sup>st</sup> March, 2010, and also the related profit and loss account and the cash flow statement for the year ended on that date, both annexed hereto.

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

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

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

our audit provides a reasonable basis for our opinion.

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

In our opinion and based on our audit, the consolidated financial statements referred to above give a true and fair view of the financial position of the Harita Seating systems Limited, Chennai and its subsidiary named above as at 31<sup>st</sup> March, 2010 and of the results of their operations and their cash flows for the year ended in conformity with the generally accepted accounting principles in India.

For SUNDARAM & SRINIVASAN  
Chartered Accountants  
Firm Regn. No.004207S

Chennai  
30<sup>th</sup> July, 2010

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, 2010

Rupees in Lakhs

	Schedule Number	As at 31.03.2010	As at 31.03.2009
<b>I SOURCES OF FUNDS:</b>			
<b>1. Shareholders' funds</b>			
a) Capital	I	776.90	776.90
b) Reserves and Surplus	II	4,136.97	2,055.78
		<b>4,913.87</b>	2,832.68
<b>2. Minority Interest</b>			
	XIX	<b>3,699.13</b>	
<b>3. Loan funds</b>			
a) Secured loans	III	3,348.62	9,134.98
b) Unsecured loans	IV	2,073.65	1,065.05
		<b>5,422.27</b>	10,200.03
<b>4. Deferred tax liability (net of deferred tax asset)</b>			
		<b>125.86</b>	444.29
	TOTAL	<b>14,161.13</b>	13,477.00
<b>II APPLICATION OF FUNDS:</b>			
<b>1. Fixed assets</b>			
a) Gross block	V	17,970.66	11,494.96
b) Less: depreciation		3,751.39	3,501.27
c) Net block		<b>14,219.27</b>	7,993.69
d) Capital work-in-progress	VI	2.40	3.18
e) Acquisition expenditure pending allocation		-	3.01
<b>2. Investments</b>			
	VII	<b>229.76</b>	254.85
<b>3. Current assets, loans and advances:</b>			
a) Interest accrued on deposits		0.97	0.61
b) Inventories	VIII	1,410.41	914.87
c) Sundry debtors	IX	7,147.41	6,014.42
d) Cash and bank balances	X	640.15	997.90
e) Other current assets	XI	184.90	78.75
f) Loans and advances	XII	1,916.40	1,585.70
	TOTAL (A)	<b>11,300.24</b>	9,592.25
<b>Less: Current liabilities and provisions:</b>			
a) Current liabilities	XIII	11,115.70	3,630.04
b) Provisions	XIV	475.08	740.26
	TOTAL (B)	<b>11,590.78</b>	4,370.30
Net current assets (A)-(B)		<b>(290.54)</b>	5,221.95
<b>4. Miscellaneous expenditure (to the extent not written off or adjusted)</b>			
		<b>0.24</b>	0.32
	TOTAL	<b>14,161.13</b>	13,477.00

H LAKSHMANAN  
Chairman

C N PRASAD  
Director

A G GIRIDHARAN  
Manager cum President

As per our report annexed  
For SUNDARAM & SRINIVASAN  
Chartered Accountants  
Firm Regn. No.004207S

Chennai  
30<sup>th</sup> July, 2010

N ISWARYA LAKSHMI  
Secretary

M. BALASUBRAMANIAM  
Partner  
Membership No.F7945

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

### Profit and Loss Account for the year ended 31<sup>st</sup> March, 2010

Rupees in Lakhs

	Schedule Number	Year ended 31.03.2010	Year ended 31.03.2009
Sales - Gross		<b>33,339.20</b>	21,833.07
Less: Excise duty and Service tax		<b>2,485.19</b>	2,207.89
Net Sales		<b>30,854.01</b>	19,625.18
Other income	XV	<b>221.32</b>	196.98
	<b>(A)</b>	<b>31,075.33</b>	19,822.16
Raw materials and components consumed	XVI	<b>22,902.28</b>	15,012.49
Salaries, wages, stores consumed and other expenses	XVII	<b>6,770.22</b>	4,478.91
	<b>(B)</b>	<b>29,672.50</b>	19,491.40
Profit before interest, depreciation and tax (A)-(B)	<b>(C)</b>	<b>1,402.83</b>	330.76
Interest	XVIII	<b>1,293.66</b>	424.77
Depreciation		<b>1,581.20</b>	696.92
Miscellaneous expenditure written off		<b>0.07</b>	-
	<b>(D)</b>	<b>2,874.93</b>	1,121.69
Profit/(Loss) before tax	(C)-(D)	<b>(1,472.10)</b>	(790.93)
Provision for taxation - income-tax		<b>13.00</b>	-
- fringe benefit tax		-	19.31
- deferred tax		<b>(318.43)</b>	81.85
	<b>(F)</b>	<b>(305.43)</b>	101.16
Profit/(Loss) for the year (after tax)	(E)-(F)	<b>(1,166.67)</b>	(892.09)
Balance Profit brought forward		-	230.94
Profit/(Loss) for the year		<b>(1,166.67)</b>	(892.09)
		<b>(1,166.67)</b>	(661.15)
Tax relating to earlier years		<b>(8.39)</b>	(16.63)
Depreciation relating to earlier years		-	(0.30)
Minority interest		<b>(179.91)</b>	-
Balance surplus/(deficit) carried forward to balance sheet		<b>(978.37)</b>	(644.22)
		<b>(1,166.67)</b>	(661.15)
No. of equity shares		<b>7,769,040</b>	7,769,040
Nominal value of equity shares – Rs.		<b>10/-</b>	10/-
Basic and diluted earnings per share – Rs.		<b>(15.02)</b>	(11.48)

Notes on Accounts

XX

H LAKSHMANAN	C N PRASAD	A G GIRIDHARAN	As per our report annexed
Chairman	Director	Manager cum President	For SUNDARAM & SRINIVASAN
			Chartered Accountants
			Firm Regn. No.004207S
			M. BALASUBRAMANIAM
Chennai		N ISWARYA LAKSHMI	Partner
30 <sup>th</sup> July, 2010		Secretary	Membership No.F7945

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

### Schedules

	<b>As at</b>	Rupees in Lakhs	
	<b>31.03.2010</b>	As at	31.03.2009
<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 as bonus equity shares 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) Share premium	<b>3,059.56</b>		-
c) General reserve			
As per last balance sheet	<b>2,030.78</b>	2,675.00	
Less: Balance in profit & loss account	<b>978.37</b>	<u>644.22</u>	2,030.78
d) Capital redemption reserve	<b>10.00</b>		10.00
	<b>4,136.97</b>		<u>2,055.78</u>
<b>III SECURED LOANS</b>			
From banks			
a) Secured by a first charge on fixed assets of the company	<b>453.65</b>		910.13
b) Secured by sole charge of specific fixed assets of the company	-		550.00
c) Secured by an equitable mortgage of specified land and buildings and first charge on certain fixed assets and on all current assets on pari passu basis with existing lenders.	<b>2,723.96</b>		6,040.29
d) Secured by hypothecation of raw materials, work-in-process, finished goods and book debts.	<b>171.01</b>		1,634.56
	<b>3,348.62</b>		<u>9,134.98</u>
<b>IV UNSECURED LOANS</b>			
a) From bank - short term	<b>406.75</b>		398.15
b) From others - long term	<b>166.90</b>		166.90
- short term	<b>1,500.00</b>		500.00
	<b>2,073.65</b>		<u>1,065.05</u>

Schedules - (Continued)

V FIXED ASSETS

Rupees in Lakhs

Description	Total												
	Land	Lease hold land	Buildings	Plant & machinery	Vehicles	Office equipment	Software	Moulds	Furniture & fittings	Non Compete fee	Canteen Equipment	As at 31.03.2010	As at 31.03.2009
<b>Cost of assets</b>													
As at 01-04-2009	890.24	35.51	2,136.34	6,677.54	65.21	690.51	123.55	685.58	157.64	-	32.84	11,494.96	8,114.09
Additions	965.47	3.47	2,948.63	8,111.33	76.85	78.84	1.29	256.73	64.07	550.00	0.82	13,057.50	3,403.65
Sales / deletion	1,855.71	38.98	5,084.97	14,788.87	142.06	769.35	124.84	942.31	221.71	550.00	33.66	24,552.46	11,517.74
	202.23	-	1,004.24	4,965.71	43.95	112.50	13.51	172.12	67.54	-	-	6,681.80	22.78
Total	1,653.48	38.98	4,080.73	9,823.16	98.11	656.85	111.33	770.19	154.17	550.00	33.66	17,970.66	11,494.96
<b>Depreciation</b>													
Upto 31-03-2009	-	-	310.41	2,466.96	18.36	403.98	89.18	154.55	42.43	-	15.40	3,501.27	2,814.18
For the year	-	6.12	118.88	903.44	17.77	56.35	28.37	157.66	14.87	275.00	2.74	1,581.20	696.62
Total	-	6.12	429.29	3,370.40	36.13	460.33	117.55	312.21	57.30	275.00	18.14	5,082.47	3,510.80
Withdrawn on assets sold/deleted	-	-	24.21	1,217.56	6.44	24.82	13.51	30.97	13.57	-	-	1,331.08	9.53
Total	-	6.12	405.08	2,152.84	29.69	435.51	104.04	281.24	43.73	275.00	18.14	3,751.39	3,501.27
<b>Written down value</b>													
As at 31-03-2010	1,653.48	32.86	3,675.65	7,670.32	68.42	221.34	7.29	488.95	110.44	275.00	15.52	14,219.27	-
As at 31-03-2009	890.24	35.51	1,825.93	4,210.58	46.85	286.53	34.37	531.03	115.21	-	17.44	-	7,993.69

For the year ended  
31.03.2010

2.00  
0.40  
2.40

For the year ended  
31.03.2009

-  
3.18  
3.18

VI CAPITAL WORK-IN-PROGRESS (At Cost)

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

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

Non-trade-quoted (Long term fully paid)

Rupees in Lakhs

S.No	Particulars	As at 1st April, 2009 year	Additions during the	Sub total	Sales/reali- sation during the year	As at 31st March, 2010
(a)	(b)	(c)	(d)	(e)=(c)+(d)	(f)	(g)=(e)-(f)
<b>A</b>	<b>L&amp;T Mutual Fund, Mumbai (formerly DBS Cholomandalam Asset Management)</b>					
1	3,06,590,379 units in Small Cap - Cumulative	8.06	-	8.06	-	8.06
2	4,13,746,147 units in Hedged Equity Fund- Cumulative	30.41	-	30.41	-	30.41
	<b>Total (A)</b>	<b>38.47</b>	<b>-</b>	<b>38.47</b>	<b>-</b>	<b>38.47</b>
<b>B</b>	<b>SBI Mutual Fund, Chennai</b>					
1	1,29,634,431 units in Magnum Equity Fund -Growth	26.56	-	26.56	26.56	
	<b>Total (B)</b>	<b>26.56</b>	<b>-</b>	<b>26.56</b>	<b>26.56</b>	<b>-</b>
<b>C</b>	<b>Birla Sun Life Mutual Fund, Chennai</b>					
1	634146,341 Units in Birla Sun Life International Equity - Plan B - growth	33.82	-	33.82	-	33.82
	<b>Total (C)</b>	<b>33.82</b>	<b>-</b>	<b>33.82</b>	<b>-</b>	<b>33.82</b>
<b>D</b>	<b>HDFC Standard Life Insurance, Mumbai</b>					
1	403,353,176 units in HDFC group unit linked plan Balanced Managed Fund	156.00	1.47	157.47	-	157.47
	<b>Total (D)</b>	<b>156.00</b>	<b>1.47</b>	<b>157.47</b>	<b>-</b>	<b>157.47</b>
	<b>Total (A+B+C+D)</b>	<b>254.85</b>	<b>1.47</b>	<b>256.32</b>	<b>26.56</b>	<b>229.76</b>

(Aggregate market value of all non trade quoted investments Rs.329.99 lakhs - Last year Rs.230.38 lakhs)

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

### Schedules - (Continued)

	For the year ended 31.03.2010	Rupees in lakhs For the year ended 31.03.2009
<b>VIII INVENTORIES (at cost)</b>		
* Raw materials and components	681.70	499.96
* Work-in-process	276.16	136.08
* Finished Goods	322.89	132.51
* Stores	121.48	58.79
Goods in bond	8.18	87.53
	<u>1,410.41</u>	<u>914.87</u>
* As certified by a director		
<b>IX SUNDRY DEBTORS</b>		
a) Debts outstanding for a period exceeding six months		
- Unsecured considered good	844.03	318.61
- Unsecured considered doubtful	504.84	192.66
	<u>1,348.87</u>	<u>511.27</u>
Less: Provision for doubtful debts	504.84	192.66
	<u>844.03</u>	<u>318.61</u>
b) Other debts		
- Unsecured considered good	6,303.38	5,695.81
	<u>7,147.41</u>	<u>6,014.42</u>
<b>X CASH AND BANK BALANCES</b>		
a) Cash on hand	39.27	11.12
b) With scheduled banks		
1) Current accounts	598.09	983.99
2) Deposit accounts	2.79	2.79
	<u>640.15</u>	<u>997.90</u>
<b>XI OTHER CURRENT ASSETS</b>		
a) Prepaid expenses	96.71	76.09
b) Income-tax deducted at source	88.19	2.66
	<u>184.90</u>	<u>78.75</u>
<b>XII LOANS AND ADVANCES-unsecured considered good</b>		
a) Advances recoverable in cash or in kind or for value to be received	1,836.31	1,525.66
b) Deposits	80.09	60.04
	<u>1,916.40</u>	<u>1,585.70</u>
<b>XIII CURRENT LIABILITIES</b>		
a) Sundry creditors	11,105.71	3,618.74
b) Investors Education and Protection Fund		
- Unpaid dividend	9.99	11.30
	<u>11,115.70</u>	<u>3,630.04</u>

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

### Schedules - (Continued)

	For the year ended 31.03.2010	Rupees in lakhs For the year ended 31.03.2009
<b>XIV PROVISIONS</b>		
a) Taxation - Income-tax	161.81	388.00
- Fringe benefit tax	-	60.81
b) Warranty	66.03	61.03
c) Leave pay	39.02	33.81
d) Pension	195.78	165.79
e) Others	12.44	30.82
	<b>475.08</b>	<b>740.26</b>
<b>XV OTHER INCOME</b>		
a) Scrap sales	159.38	60.90
b) Labour charges received (gross)	-	0.43
c) Profit on sale of assets	-	0.23
d) Profit on sale of investments	24.32	6.67
e) Management services charges (gross) (TDS Rs.1.38 lakhs) (Last year Rs.-Nil-)	-	-
f) Miscellaneous income (see note No.8)	37.62	128.75
	<b>221.32</b>	<b>196.98</b>
<b>XVI RAW MATERIALS AND COMPONENTS CONSUMED</b>		
OPENING STOCK		
Raw materials	499.96	652.15
Work-in-process	136.08	137.10
Finished goods	132.51	106.69
	<b>768.55</b>	<b>895.94</b>
Purchase of raw materials and components	23,414.48	14,885.10
Total (A)	<b>24,183.03</b>	<b>15,781.04</b>
CLOSING STOCK		
Raw materials	681.70	499.96
Work-in-process	276.16	136.08
Finished goods	322.89	132.51
Total (B)	<b>1,280.75</b>	<b>768.55</b>
Consumption (A)-(B)	<b>22,902.28</b>	<b>15,012.49</b>
<b>XVII SALARIES, WAGES, STORES CONSUMED AND OTHER EXPENSES</b>		
a) Salaries, wages and bonus* #	2,054.54	1,518.86
b) Contribution to provident and other funds* #	157.59	113.18
c) Staff welfare expenses*	352.55	255.21
d) Stores and tools consumed	463.30	278.90
e) Power and fuel*	475.60	281.73

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

### Schedules - (Continued)

	For the year ended 31.03.2010	Rupees in lakhs For the year ended 31.03.2009
f) Rent*	39.76	12.06
g) Rates and taxes*	85.42	39.70
h) Repairs and maintenance*		
- Building	114.62	71.23
- Machinery	470.36	158.33
- Other assets	132.33	53.00
i) Audit fees - as auditors	10.00	6.00
- tax audit	1.50	1.00
- certification	1.00	2.05
j) Directors' sitting fees	1.18	1.45
k) Insurance	78.51	27.88
l) Other expenses* (see note No.7)	2,329.23	1,541.89
m) Excise duty paid on samples	1.89	1.32
n) Loss on sale of assets	0.84	7.15
o) Provision for diminution in market value of Investments	-	107.97
	<u>6,770.22</u>	<u>4,478.91</u>

[ \* Net of recoveries]

[# includes to manager] (vide note 13)

### XVIII INTEREST

a) On fixed loans	863.33	190.05
b) On other loans	433.42	238.05
Total (A)	<u>1,296.75</u>	<u>428.10</u>
Less: Interest income		
a) Interest on advances and deposits (gross) (TDS Rs.0.25 lakhs) (Last year Rs.0.28 lakhs)	3.09	3.33
Total (B)	<u>3.09</u>	<u>3.33</u>
(A)-(B)	<u>1,293.66</u>	<u>424.77</u>

### XIX MINORITY INTEREST

a) Share capital	683.34	-
b) Share premium	3,195.70	-
Total	<u>3,879.04</u>	<u>-</u>
Less: Loss for the year 2009-10	(179.91)	-
Total	<u>3,699.13</u>	<u>-</u>

**Schedules - (Continued)**

**XX NOTES ON ACCOUNTS**

**1. Consolidation of accounts**

**A. Basis of accounting**

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

**B. Principles of consolidation**

- (i) Consolidated financial statements relate to M/s. Harita Seating Systems Limited, Chennai and its subsidiary viz., M/s. Harita Fehrer Limited, Chennai.
- (ii) Consolidated financial statements have been prepared on the following basis:
  - the financial statements of the Company and its subsidiary have been prepared on a line by line consolidation by adding the book values of 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 are furnished below:

a)	Name of the company	M/s. Harita Fehrer Limited, Chennai
b)	Country of incorporation	India
c)	Proportion of ownership (interest/voting power-in %)	60%
d)	Reporting date	31.03.2010 (However, the subsidiary’s accounts are prepared for a period of 15 months ending on 31 <sup>st</sup> March 2010)
e)	Difference in reporting date	Nil

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

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

**Schedules - (Continued)**

		As at/year ended 31.03.2010	Rupees in lakhs As at/year ended 31.03.2009
<b>XX</b>	<b>NOTES ON ACCOUNTS-contd.,</b>		
2.	During the year on 22.01.2010 the holding company viz., Harita Seating Systems Limited, Chennai has transferred fixed assets like land, building, plant and machinery, office equipment and also current assets like inventories, receivables net of current liabilities to the subsidiary company namely Harita Fehrer Limited, Chennai as approved by the shareholders of the Company through Postal Ballot.		
<b>3.</b>	<b>Contingent liabilities not provided for</b>		
	a) On counter guarantee furnished to bank	<b>517.23</b>	417.41
	b) On letters of credit opened with bank	-	192.00
	c) On account of bill discounting	<b>64.80</b>	-
	d) Customs duty under EPCG scheme	<b>189.13</b>	-
<b>4.</b>	<b>Liability contested and not provided for</b>		
	a) Income tax	<b>0.98</b>	0.98
	b) Service tax	<b>11.30</b>	10.38
	c) Central Excise	<b>199.81</b>	4.63
	d) Value Added Tax	<b>120.73</b>	3.93
<b>5.</b>	<b>Deposit includes deposit with Central Excise</b>	<b>2.78</b>	1.27
<b>6.</b>	<b>Sundry creditors include:</b>		
	a) Dues to small scale industrial undertakings	<b>516.54</b>	464.48
	b) Dues of creditors other than small scale industrial undertakings	<b>8,194.61</b>	3,154.08
	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.		

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

### Schedules - (Continued)

		As at/year ended 31.03.2010	Rupees in lakhs As at/year ended 31.03.2009
<b>XX</b>	<b>NOTES ON ACCOUNTS-contd.,</b>		
<b>7.</b>	<b>Other expenses include:</b>		
	a) reimbursement of expenses to auditors	<b>5.93</b>	3.50
	b) legal & retainer fees	<b>279.17</b>	197.59
	c) carriage outwards	<b>503.34</b>	668.64
	d) warranty claims	<b>299.47</b>	11.53
	e) commission	<b>151.85</b>	114.04
	f) cash discount	<b>28.40</b>	5.78
<b>8.</b>	<b>Miscellaneous income under other income includes:</b>		
	a) packing cost recoveries	<b>0.37</b>	0.32
<b>9.</b>	<b>Cash &amp; bank balances include:</b>		
	a) Cheques on hand	<b>33.52</b>	5.30
	b) Unpaid dividend	<b>9.98</b>	11.30
<b>10.</b>	<b>Expenses, wherever applicable are inclusive of service tax at appropriate rates and net off service tax set off permissible.</b>		
<b>11.</b>	<b>R &amp; D revenue expenses</b>		
	a) Salary	<b>254.16</b>	219.94
	b) Testing charges	<b>20.60</b>	37.27
	c) Design development charges	<b>2.69</b>	7.14
	d) Consumables, Labour charges (Net)	<b>18.88</b>	-
	e) Travel expenses	<b>12.04</b>	4.95
<b>12.</b>	<b>R &amp; D capital expenditure</b>		
	a) Plant and machinery	<b>0.82</b>	-
	b) Office equipment (computers)	-	98.01
<b>13.</b>	<b>Managerial remuneration includes :</b>		
	a) Salary	<b>35.86</b>	42.40
	b) Contribution to Provident and other funds	<b>1.49</b>	2.65
	c) Performance linked incentive	-	2.95
<b>14.</b>	<b>Sundry debtors - other debts includes Rs.5.69 lakhs due from a company under the same management viz Sundaram Auto Components Limited, Chennai.</b>		
<b>15.</b>	<b>Previous year's figures have been regrouped wherever necessary to conform to the current year's classification.</b>		

Schedules - (Continued)

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

**16. Related party disclosures**

**LIST OF RELATED PARTIES:**

(a) Key management personnel

For Harita Seating Systems Limited : Mr.S.Thiagarajan  
Manager cum President - upto 10.11.2009

Mr. A.G Giridharan  
Manager cum President - from 11.11.2009

For Harita Fehrer Limited : Mr.Rajesh Oommen  
Manager with effect from 22.01.2010

(b) Company having managerial personnel in common : Sundaram Auto Components Limited,  
Chennai

(c) Fellow associate : F.S Fehrer Automotive GmbH, Germany

**Related party transactions**

Rupees in lakhs

S.No	Nature of transaction	For the year ended 31.03.2010	For the year ended 31.03.2009
1.	<b>Sundaram Auto Components Limited, Chennai</b>		
	Purchases	837.12	-
	Rendering services	173.41	-
	Receiving services	139.71	-
	Receivable	5.69	-
2.	<b>F.S.Fehrer Automotive GmbH, Germany.</b>		
	Equity contribution received during the year	6,938.60	-
	Receivable	908.61	-

Cash flow statement for the year ended 31<sup>st</sup> March, 2010

Rupees in lakhs

	Year ended 31.03.2010	Year ended 31.03.2009
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before tax and extra ordinary items	(1,472.10)	(790.93)
<b>Add:</b>		
Depreciation	1,581.20	696.92
Depreciation on assets sold	(1,331.08)	(9.53)
Diminution in the market value of investments	–	107.97
Income-tax relating to earlier years	8.39	16.63
Interest income	(3.09)	(3.33)
Preliminary expenses	0.07	(0.32)
Interest expenditure	1,296.75	428.10
	<u>1,552.24</u>	<u>1,236.44</u>
<b>Operating profit before working capital changes</b>	<b>80.14</b>	<b>445.51</b>
<b>Adjustment for:</b>		
Interest accrued	(0.36)	(0.26)
Inventory	(495.54)	70.99
Trade receivables	(1,132.99)	(3,001.48)
Loans and advances	(330.70)	(184.63)
Other current assets	(106.15)	(32.43)
Trade payables and provisions	7,220.48	(603.21)
	<u>5,154.74</u>	<u>(3,751.02)</u>
Cash generated from operations	<b>5,234.88</b>	<b>(3,305.51)</b>
Direct tax paid	(13.00)	(19.31)
<b>Net cash from operating activities - (A)</b>	<b>5,221.88</b>	<b>(3,324.82)</b>
<b>B CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(13,053.70)	(3,162.89)
Sale of fixed assets	6,581.80	22.78
Acquisition of shares	–	(5.00)
Sale of investments (net of acquisition)	25.09	74.56
Interest received	3.09	3.33
	<u>(6,443.72)</u>	<u>(3,067.22)</u>
<b>Net cash used in investing activities - (B)</b>	<b>(6,443.72)</b>	<b>(3,067.22)</b>

Cash flow statement for the year ended 31<sup>st</sup> March, 2010

Rupees in lakhs  
Year ended  
31.03.2009

	Year ended 31.03.2010		Year ended 31.03.2009
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>			
Secured loans repaid	(5,786.36)	7,184.12	
Unsecured loans availed	1,008.60	376.18	
Interest paid	(1,296.75)	(428.10)	
Proceeds from issue of shares	6,938.60	5.00	7,137.20
<b>Net cash from financing activities - (C)</b>	<b>864.09</b>		<b>7,137.20</b>
<b>D NET INCREASE IN CASH AND CASH EQUIVALENTS (A)+(B)+(C)</b>	<b>(357.75)</b>		<b>745.16</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>997.90</b>		<b>252.74</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>640.15</b>		<b>997.90</b>

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

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

H LAKSHMANAN  
Chairman

C N PRASAD  
Director

A G GIRIDHARAN  
Manager cum President

As per our report annexed  
For SUNDARAM & SRINIVASAN  
Chartered Accountants  
Firm Regn. No.004207S

Chennai  
30<sup>th</sup> July, 2010

N ISWARYA LAKSHMI  
Secretary

M. BALASUBRAMANIAM  
Partner  
Membership No.F7945



---

---

**ANNUAL REPORT OF THE  
SUBSIDIARY**

---

---

## Directors' report to the shareholders

The directors have pleasure in presenting the second annual report on the progress of the Company together with the audited statement of accounts for the period ended 31<sup>st</sup> March 2010.

### 1. FINANCIAL HIGHLIGHTS

During the period under review, the Company incurred a loss of Rs.444.78 lakhs for the fifteen months ended 31<sup>st</sup> March 2010.

### 2. CAPITAL

During this period, the authorized capital was increased from Rs.5 lakhs consisting of 50,000 equity shares of Rs.10/- each, to Rs.20 Cr consisting of 2,00,00,000 equity shares of Rs.10/- each, with the approval of the shareholders on 7<sup>th</sup> December 2009.

During the period under review, the Company made allotments to the Indian promoters, namely Harita Seating Systems Limited (HSSL) and foreign collaborators, namely M/s F.S Fehrer Automotive GmbH, Germany, (Fehrer) as follows, (i) 1,02,00,000 equity shares of Rs.10/- each to HSSL at a premium of Rs.17/- per share on 22<sup>nd</sup> January 2010 as part consideration for transfer of certain segments of businesses by HSSL to the Company; and (ii) 68,33,364 equity shares of Rs.10/- each for cash at a premium of Rs.91.54 per share to Fehrer on 8<sup>th</sup> February 2010. Following the allotments of equity shares as aforesaid, the paid up equity capital of Company is held by HSSL and Fehrer in the ratio of 60:40 respectively.

In view of the reduced holding of HSSL from 100% to 60% in the existing paid up equity capital of the Company, the status of the Company changed from wholly owned subsidiary of HSSL to that of a subsidiary of HSSL effective 8<sup>th</sup> February 2010.

### 3. PERFORMANCE

During the period under review, the Company acquired the following businesses from HSSL, the holding Company, (i) Foaming business, two wheeler and three wheeler seats, seat

cushions, Long Fibre Injection (LFI) and Micro Cellular Urethane (MCU), and Foaming business acquired by HSSL from Polyflex India Private Limited and Polyflex Engineering Private Limited, together with the respective assets and liabilities, rights, duties and obligations etc.

The fiscal year 2009-10 began as a difficult one, following the financial crisis that began globally in 2008 and spread to the real economies across the world. Indian economy posted a remarkable recovery, not only in terms of overall growth figures but, more importantly, in terms of certain fundamentals, which justify optimism for India in the medium to long term. The economy is estimated to grow at 7.2% during 2009-10 higher than the initial estimate of 5%. The improved performance can be attributed to manufacturing sector's performance during 3<sup>rd</sup> and 4<sup>th</sup> quarters of FY10. Industrial growth is estimated at 8.2% in 2009-10 as against 3.9% in 2008-09.

In 2009-10, volumes of domestic passenger car & utility vehicles (UV) sales recovered sharply with a growth of 26%. Reduction in excise duty & fuel prices, lowered the cost of ownership for consumers in 2009-10. Also reduced uncertainty over growth in income levels & better financing environment improved consumer sentiments.

The Company achieved a sale of Rs 92.8 Cr, and registered a loss of Rs 7.4 Cr during 2009-10.

### 4. BUSINESS OUTLOOK & OVERVIEW

The Indian economy is expected to grow at 7.5 - 8 percent in 2010-11. The domestic passenger car & utility vehicle industry is expected to continue its growth momentum in 2010-11, with growth in sales volumes estimated at 13-15 percent. Rise in disposable income due to tax savings offered in Union budget 2010-11, improvement in business and customer confidence are the two growth drivers for the industry. The two wheeler industry is expected to grow at 17-18 percent.

Specifically, the Company's business with passenger car and utility vehicle customers is expected to grow by 62%, and the business with two wheeler seats is expected to grow by 54%. The new technology products like long fibre injection moulded components & micro cellular urethane products for automotive applications are expected to achieve sales of more than Rs.11 Cr in 2010-11. The Company has also obtained order from Lear Automotive for foam supplies to M&M utility vehicles at Pune.

The Company also has plans to tap the export market for head-rests and arm-rests through the parent Company, Fehrer. The Company has identified various cost reduction projects for implementation during the year to make it competitive in the marketplace. It also has plans to set up a polyol blending unit to significantly reduce the material cost for foam production. With the pricing of the foam the single biggest factor in obtaining foam businesses from customers in India, this move will not only help to improve profitability but also gain additional business in future from customers.

The Company expects to achieve substantial increase in turnover and also begin to realize profits from the current year.

## **5. DIRECTORS**

During the period under review, Mr V N Venkatanathan and Mr S Thiagarajan, resigned as directors from the board effective 24<sup>th</sup> August 2009 and 27<sup>th</sup> January 2010 respectively.

Mr H Lakshmanan and Mr K Gopala Desikan were appointed as additional directors effective 24<sup>th</sup> August 2009 and 27<sup>th</sup> January 2010, respectively in terms of Section 260 of the Companies Act, 1956.

Dr Bernd Carl Otto Welzel and Mr Roland Benno Borst were appointed as additional directors effective 15<sup>th</sup> April 2010. Mr K Gopala Desikan, additional director, resigned from the board effective 16<sup>th</sup> April 2010.

The board of directors wish to place on record the appreciation of the valuable services rendered by Mr V N Venkatanathan, Mr S Thiagarajan and Mr K Gopala Desikan during their tenure as directors of the Company.

In terms of section 260 of the Companies Act 1956, Mr H Lakshmanan, Dr Bernd Carl Otto Welzel and Mr Roland Benno Borst will vacate office at the ensuing annual general meeting of the Company and being eligible, offer themselves for reappointment.

Notices have been received from members of the Company signifying their intention to propose the appointment of Mr H Lakshmanan, Dr Bernd Carl Otto Welzel and Mr Roland Benno Borst, as directors of the Company in terms of section 257 of the Companies Act, 1956 along with the requisite deposit money of Rs.500/- each.

In terms of articles of association of the Company, Mr C N Prasad retires from office at the ensuing annual general meeting and being eligible, offers himself for re-appointment.

## **6. DEPOSITS**

The Company has not accepted any deposit from the public within the meaning of Section 58-A of the Companies Act, 1956 during the period ended 31<sup>st</sup> March 2010.

## **7. AUDITORS**

M/s Raghavan, Chaudhuri & Narayanan, Chartered Accountants, Bangalore, retire at the ensuing annual general meeting and are eligible for re-appointment.

## **8. AUDIT COMMITTEE**

During the period under review, the Company, consequent to the increase in the paid up capital above Rs.5 Cr, was required to have an audit committee of directors in compliance to the provisions of section 292A of the Companies Act 1956.

Accordingly, the board of directors of the Company at its meeting held on 27<sup>th</sup> January 2010 constituted the audit committee with the

following non-executive directors as its members, namely M/s H Lakshmanan, C N Prasad and K Gopala Desikan. Following the resignation of Mr K Gopala Desikan as a director, he ceased to be a member of the audit committee effective 16<sup>th</sup> April 2010. The board appointed Mr Roland Benno Borst, director, as a member of the committee effective 16<sup>th</sup> April 2010.

The committee meets periodically to discuss and review such matters as required in terms of Section 292A of the Companies Act, 1956.

## **9. APPOINTMENT OF MANAGERIAL PERSON**

During the period under review, Mr Rajesh Oommen, vice-president of the Company was appointed as Manager under the Companies Act, 1956 effective 22<sup>nd</sup> January 2010 for a period of five years, without remuneration, subject to the approval of the shareholders in the ensuing annual general meeting of the Company on such conditions as explained in the explanatory statement attached to the notice convening the annual general meeting of the Company.

## **10. STATUTORY STATEMENTS**

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

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 the Board of Directors) Rules, 1988, the information regarding conservation of energy, technology absorption and foreign exchange earnings and outgo are given in the Annexure 1 to the Report.

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

Since there is no employee receiving remuneration in the Company more than the prescribed limit pursuant to section 217(2A) of the Companies Act, 1956 during the period under review, the statement as required under the said provision 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> March, 2010 and of the loss of the Company for the period ended on that date;
- 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 annual accounts on a going concern basis.

## **11. ACKNOWLEDGEMENT**

The directors acknowledge the support and co-operation received from the promoters, M/s. Harita Seating Systems Limited and M/s. F.S Fehrer Automotive GmbH, Germany.

The directors thank the customers, suppliers 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 period under review.

/For and on behalf of the board/

Chennai	H Lakshmanan	C N Prasad
13 <sup>th</sup> July 2010	Director	Director

**Annexure I to the Directors' Report for the fifteen months period ended 31st March 2010  
INFORMATION PURSUANT TO SECTION 217(1)(e) OF THE COMPANIES ACT, 1956**

**A. CONSERVATION OF ENERGY**

**1. Measures taken**

- a) Introduction of energy saving luminaries for lighting system.
- b) Effective utilization of equipments and machineries.
- c) Modified mould temperature control foaming systems of Kuka Poly Urethane.

The above measures have resulted in an annual saving of Rs.2.28 lakhs.

**2. Proposed measures**

- a) Introduction of fuel saver device for diesel generator.
- b) Direct mould temperature controller for moulds.
- c) Improved power factor by providing Automatic Power Factor Controller system.
- d) GMA Make Mould fixture program modification.
- e) To conduct energy audit and to implement Encon projects.
- f) Effective utilization of plant and equipments.

- g) Improve utilization of captive generation by demand balancing and distribution system.

The above measures will result in an annual saving of about Rs.15.25 lakhs.

**B. TECHNOLOGY ABSORPTION**

The Company has not incurred any research and development expenses during the year and has not imported any technology so far.

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO**

**1. Activities relating to export:**

The Company has not made any exports during the year under review, and specific plans to be laid out for exports in the current financial year.

**2. Total foreign exchange earnings and outgo:**

Foreign exchange earned : Nil  
Foreign exchange used : Rs.40.22 lakhs.

For and on behalf of the board

Chennai 13 <sup>th</sup> July 2010	H Lakshmanan Director	C N Prasad Director
---------------------------------------	--------------------------	------------------------

**Auditors' Report to the shareholders  
To the members of M/S HARITA FEHRER LIMITED**

We have audited the attached Balance Sheet of M/S HARITA FEHRER LIMITED, ('The Company'), "Jayalakshmi Estates", No.29, Haddows Road, Chennai 600006 as at 31<sup>st</sup> March 2010 and the related profit and loss account for the 15 months period ended on that date, annexed thereto and the Cash Flow Statement for the period ended on that date, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these statements based on our audit.

We have 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 from material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in 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.

As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) Amendment Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of section 227 of 'The Companies Act, 1956' (the 'Act'), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

- a) 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.
- b) In our opinion, proper books of accounts as required by law have been kept by the Company so far as it appears from our examination of such books of accounts;

- c) The Balance Sheet, Profit and Loss Account and Cash flow Statement referred to in this report are in agreement with the books of account;
- d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with in this report comply with the Accounting standards (as applicable) referred to in sub-section (3C) of sec 211 of the Companies Act, 1956;
- e) As per the observations made by us and information and explanation provided to us, there are no transactions or events which have any adverse effect on the functioning of the Company;
- f) On the basis of the written representations received from the directors as on 31<sup>st</sup> March, 2010 and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 31<sup>st</sup> March 2010 from being appointed as a director in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956.
- g) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements read together with the significant accounting policies and 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.
  - 1) In the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March 2010; and
  - 2) In case of the Profit and Loss Account, of the Loss of the Company for the period ended on that date.
  - 3) In the case of Cash Flow Statement, of the cash flow for the period ended on that date.

For Raghavan, Chaudhuri and Narayanan  
Chartered Accountants,  
FRN:007761S

V.Sathyanarayanan  
Partner

Place : Chennai  
Date : 13<sup>th</sup> July, 2010

Membership No:27716

## ANNEXURE TO AUDITOR'S REPORT

### Statement of matters as specified in paragraphs 4 and 5 of Companies (Auditor's Report) Order 2003.

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets;
- (b) According to the information and explanations given to us, all the assets have not been physically verified by the management. However, there is a regular programme of verification of Fixed Assets carried out by the management at reasonable intervals, which in our opinion, is reasonable having regard to the size of the Company and nature of its assets. There were no material discrepancies noticed on such verification;
- (c) The Company has not disposed off any of its fixed assets during the period and hence reporting under this paragraph does not arise;
- (ii) (a) According to the information made available and explanation given to us, the management has conducted physical verification of inventory at reasonable intervals during the period. In respect of Inventories with third parties which have not been physically verified, there is a process of obtaining confirmation from such parties;
- (b) According to the information made available and explanation given to us and in our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business;
- (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification of inventory as compared to book records. Minor discrepancies have been properly dealt with in the books of accounts;
- (iii) (a) During the period, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act 1956 and hence reporting under sub clauses (a) to (d) of paragraph 4 does not arise;
- (d)
- (e) During the period, the Company has taken unsecured loan from one Company covered under the register maintained under section 301 of the Companies Act 1956. The amount involved in the transaction is Rs 5627.53 Lakhs;
- (f) According to the information made available and explanation given to us and in our opinion, rate of interest and other terms and conditions of loans taken by the Company are not prima facie prejudicial to the interest of the Company;
- (g) The Company has paid the principal and interest at regular intervals, as stipulated in the terms of the agreement;
- (iv) There are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and

**ANNEXURE TO AUDITOR'S REPORT (Contd.)**

- services. During the course of our audit, no major weakness has been noticed in the internal control system;
- (v) (a) According to the information made available and explanation given to us, particulars of contracts or arrangements referred to in Section 301 of the Companies Act 1956, have been properly entered in the Register required to be maintained under the said section;
- (b) The prices at which sales or purchases of goods and services were made from the parties listed in the register maintained under Section 301 of the Act are reasonable having regard to the prevailing market prices for the sale of such goods and services;
- (vi) The Company has not accepted deposits from the public and hence reporting under this clause does not arise;
- (vii) According to the information made available and explanation given to us and in our opinion, the Company's present internal audit system is commensurate with its size and the 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 the maintenance of cost records and we are of the opinion that, prima facie the prescribed accounts and records have been made and maintained;
- (ix) (a) According to the books of accounts and other records as produced before us and examined by us, the Company is generally regular in depositing undisputed statutory dues including provident fund, employees state insurance, Income-tax, sales-tax, custom duty, excise duty, cess and any other material statutory dues with the appropriate authorities;
- (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 31st March 2010 for a period more than six months from the date they became payable;
- (x) The Company has been incorporated as on 09th July 2008 and hence reporting under sub-clause (x) of paragraph 4 of the Order does not arise;
- (xi) Based on our verification and according to the records made available to us, the Company has not borrowed from any financial institutions, banks or debenture holders and hence reporting under sub-clause (xi) of paragraph 4 of the Order does not arise;
- (xii) The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities and hence reporting under sub-clause (xii) of paragraph 4 of the Order does not arise;
- (xiii) The Company is not in the nature of nidhi, mutual benefit fund or society and hence reporting under sub-clause (xiii) of paragraph 4 of the Order does not arise;
- (xiv) The Company is not dealing or trading in shares, securities, debentures and other investment;

**ANNEXURE TO AUDITOR'S REPORT (Contd.)**

- |         |   |       |  |
|---------|---|-------|--|
| (xv)    | As per the information and explanation given to us by the management, the Company has not given any guarantee for loans taken by others from Bank or Financial Institutions;  |       | reporting under sub-clause (xviii) of paragraph 4 of the Order does not arise;   |
| (xvi)   | During the period ended 31st March 2010, the Company has not availed any term loan;   | (xix) | The Company has not issued any secured debentures;   |
| (xvii)  | According to the information made available and records produced before us, in our opinion, the Company has not raised short term funds during the period and hence reporting under sub-clause (xvii) of paragraph 4 of the Order does not arise; | (xx)  | The Company has not raised any money by public issue;  |
| (xviii) | The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Companies Act, 1956 and hence  | (xxi) | According to the information and explanation given to us and in our opinion, no fraud by or on the Company has been noticed during the period. |
- For Raghavan,Chaudhuri and Narayanan  
Chartered Accountants,  
FRN:007761S
- V.Sathyannarayanan  
Partner
- Place : Chennai
- Date : 13<sup>th</sup> July, 2010      Membership No:27716

Balance Sheet as at 31<sup>st</sup> March, 2010

Amount in Rs. '000

Particulars	Sch No.	As at 31.03.2010	As at 31.12.2008
<b>I SOURCES OF FUNDS</b>			
<b>1 Shareholders' Funds</b>			
a) Capital	I	170,834	500
b) Reserves and surplus	II	798,926	—
<b>2 Loans</b>		—	—
		<u>969,760</u>	<u>500</u>
<b>II APPLICATION OF FUNDS</b>			
<b>1 Fixed Assets:</b>			
a) Gross block	III	1,092,794	—
b) Less: Depreciation		69,768	—
c) Net Block		1,023,026	—
d) Capital Work-In-Progress	IV	240	—
<b>2 Investments</b>		—	—
<b>3 Current assets, Loans and Advances</b>			
a) Inventories	V	61,444	—
b) Sundry Debtors	VI	271,792	—
c) Cash and Bank Balances	VII	23,645	486
d) Other Current Assets	VIII	2,318	—
e) Loans and Advances	IX	18,900	—
Total (A)		<u>378,099</u>	<u>486</u>
<b>Less: Current Liabilities and Provisions</b>			
a) Current Liabilities	X	496,155	17
b) Provisions	XI	74	—
Total (B)		<u>496,229</u>	<u>17</u>
Net current assets (A) - (B)		(118,130)	468
<b>4 Debit balance in Profit and Loss Account</b>		<b>44,978</b>	
<b>5 Deferred Tax Asset</b> (Net of Deferred Tax Liability)		<b>19,622</b>	
<b>6 Miscellaneous Expenditure to the extent not written off</b>	XII	<b>24</b>	<b>31</b>
		<u>969,760</u>	<u>500</u>

H LAKSHMANAN  
Director

C N PRASAD  
Director

As per our report annexed  
For RAGHAVAN, CHAUDHURI & NARAYANAN  
Chartered Accountants  
FRN:007761S

RAJESH OOMMEN  
Manager

S JAGANNATHAN  
General Manager - Finance & Secretary

V SATHYANARAYANAN  
Partner

Place : Chennai  
Date : 13.07.2010

Membership No. 27716

**Profit and Loss Account for the 15 months Period Ended 31<sup>st</sup> March, 2010**

Amount in Rs. '000			
Particulars	Sch No.	For the 15 months Period Ended 31 <sup>st</sup> March, 2010	For the Year Ended 31 <sup>st</sup> December, 2008
Sales-Gross		1,007,692	—
Less: Excise Duty		81,238	—
Net Sales		926,454	—
Other Income	XIII	9,534	—
	(A)	935,988	—
Raw Materials and Components Consumed	XIV	712,886	—
Salaries, Wages, Stores Consumed and Other Expenses	XV	158,917	—
	(B)	871,803	—
Profit Before Interest, Depreciation and Tax (A) - (B)	(C)	64,185	—
Interest	XVI	59,010	—
Depreciation		69,768	—
Miscellaneous Expenditure written off		7	—
	(D)	128,785	—
Profit/(Loss) Before Tax (C) - (D)	(E)	(64,600)	—
Provision for Taxation - Income Tax		—	—
- Deferred tax		19,622	—
	(F)	19,622	—
Profit/(Loss) for the Period (E) - (F)	(G)	(44,978)	—
Balance Profit Brought Forward		—	—
Profit/(Loss) for the Period		(44,978)	—
Balance Surplus Carried Forward To Balance Sheet		(44,978)	—
No of equity shares		17,083,364	50,000
Nominal value of equity shares -Rs.		10.00	10.00
Basic and diluted earnings per share - Rs.		(2.63)	—
Notes on accounts	XVII		

H LAKSHMANAN  
Director

C N PRASAD  
Director

As per our report annexed  
For RAGHAVAN, CHAUDHURI & NARAYANAN  
Chartered Accountants  
FRN:007761S

RAJESH OOMMEN  
Manager  
Place : Chennai  
Date : 13.07.2010

S JAGANNATHAN  
General Manager - Finance & Secretary

V SATHYANARAYANAN  
Partner  
Membership No. 27716

**Schedules**

Amount in Rs. '000

	As at 31.03.2010	As at 31.12.2008
<b>I CAPITAL</b>		
Authorised Share Capital		
2,00,00,000 Equity shares of Rs.10/- each	<b>200,000</b>	500
Issued, subscribed and paid up (Last year : 50,000 equity shares)		
1,70,83,364 Equity shares of Rs.10/- each fully paid up (Last year : 50,000 equity shares)	<b>170,834</b>	500
(Of the above : 1,02,00,000 shares were allotted for consideration other than in cash)		
	<b>170,834</b>	500
<b>II RESERVES &amp; SURPLUS</b>		
Share Premium	<b>798,926</b>	-
	<b>798,926</b>	-
<b>IV CAPITAL WORK IN PROGRESS</b>		
a) Building under Construction	<b>200</b>	-
b) Machinery under Installation	<b>40</b>	-
	<b>240</b>	-
<b>V INVENTORIES *</b>		
Raw materials and components	<b>35,357</b>	-
Work-in-Process	<b>3,914</b>	-
Stores	<b>4,085</b>	-
Finished Goods	<b>18,088</b>	-
(* As certified by a Director)	<b>61,444</b>	-
<b>VI SUNDRY DEBTORS</b>		
a) Debts outstanding for a period exceeding six months		
- Unsecured considered good	<b>6,488</b>	-
- Unsecured considered doubtful	<b>12,112</b>	-
	<b>18,600</b>	-
Less: Provision for doubtful debts	<b>12,112</b>	<b>6,488</b>
b) Other debts		
- Unsecured considered good	<b>265,304</b>	-
	<b>271,792</b>	-

**Schedules (Contd.)**

**III FIXED ASSETS**

Amount in Rs. '000

Description	Intangible Assets										Total	
	Land	Building	Plant & Machinery*	Vehicles	Office Equipment	Moulds	Furniture & Fittings	Computers	Software	Non Compete Fee		As at 31.03.2010
Cost of the assets												
As at 01.01.2009	88,194	217,770	696,155	7,601	4,380	15,486	6,327	1,834	47	55,000	1,092,794	-
Additions	-	-	-	-	-	-	-	-	-	-	-	-
Sales / Deletions	-	-	-	-	-	-	-	-	-	-	-	-
Total	88,194	217,770	696,155	7,601	4,380	15,486	6,327	1,834	47	55,000	1,092,794	-
Depreciation												
Upto 01.01.2009	-	-	-	-	-	-	-	-	-	-	-	-
For the year	-	4,821	35,099	866	184	305	685	287	21	27,500	69,768	-
Withdrawn on assets sold/ deleted												
Total	-	4,821	35,099	866	184	305	685	287	21	27,500	69,768	-
Written down Value												
As at 31.12.2008	-	-	-	-	-	-	-	-	-	-	-	-
<b>As at 31.03.2010</b>	<b>88,194</b>	<b>212,949</b>	<b>661,056</b>	<b>6,735</b>	<b>4,196</b>	<b>15,181</b>	<b>5,642</b>	<b>1,547</b>	<b>26</b>	<b>27,500</b>	<b>1,023,026</b>	-

\* Plant and Machinery to the extent of Rs 2.06 crores has not been put to use upto the Balance sheet date and hence depreciation for such assets has not been provided for in the Financial Statements.

**Schedules (Contd.)**

Amount in Rs. '000

	As at 31.03.2010	As at 31.12.2008
<b>VII CASH AND BANK BALANCE</b>		
a) Cash on hand	27	–
b) With Scheduled Bank - – in Current account	23,618	486
	<u>23,645</u>	<u>486</u>
<b>VIII OTHER CURRENT ASSETS</b>		
a) Prepaid Expenses	1,886	–
b) Income-tax Deducted at Source	432	–
	<u>2,318</u>	<u>–</u>
<b>IX LOANS AND ADVANCES- unsecured considered good</b>		
a) Advances Recoverable in Cash or Kind or for value to be received	17,389	–
b) Deposits	1,511	–
	<u>18,900</u>	<u>–</u>
<b>X CURRENT LIABILITIES</b>		
Sundry Creditors	496,155	17
	<u>496,155</u>	<u>17</u>
<b>XI PROVISIONS</b>		
Leave pay	74	–
	<u>74</u>	<u>–</u>
<b>XII Miscellaneous Expenditure to the extent not written off</b>	24	31
	<u>24</u>	<u>31</u>
	<b>Period ended 31.03.2010</b>	<b>Year ended 31.12.2008</b>
<b>XIII OTHER INCOME</b>		
a) Scrap sales	9,401	–
b) Interest on Deposits and Investments (gross) (TDS Rs. 14,375 /- Last year -Nil - )	88	–
c) Miscellaneous Income	45	–
	<u>9,534</u>	<u>–</u>

**Schedules (Contd.)**

Amount in Rs. '000

	<b>As at 31.03.2010</b>	As at 31.12.2008
<b>XIV RAW MATERIALS AND COMPONENTS CONSUMED</b>		
OPENING STOCK		
Raw materials	-	-
Work-in-process	-	-
Finished goods	-	-
	<u>-</u>	<u>-</u>
Purchase of Raw Materials and Components	<b>770,245</b>	-
Total (A)	<b>770,245</b>	<u>-</u>
CLOSING STOCK		
Raw Materials	<b>35,357</b>	-
Work-in-Process	<b>3,914</b>	-
Finished Goods	<b>18,088</b>	-
	<u>57,359</u>	<u>-</u>
Total (B)	<b>57,359</b>	<u>-</u>
Consumption	(A)-(B)	-
	<b>712,886</b>	<u>-</u>
<b>XV SALARIES, WAGES, STORES CONSUMED AND OTHER EXPENSES</b>		
a) Salaries and wages *	<b>51,250</b>	-
b) Contribution to provident and other funds*	<b>1,335</b>	-
c) Staff welfare expenses*	<b>9,576</b>	-
d) Stores and tools consumed	<b>18,020</b>	-
e) Power and fuel*	<b>17,401</b>	-
f) Rent*	<b>1,576</b>	-
g) Rates and taxes*	<b>3,356</b>	-
h) Repairs and Maintenance*		
- Building	<b>2,066</b>	-
- Machinery	<b>17,568</b>	-
- Other Assets	<b>2,444</b>	-
i) Audit fees - as auditors	<b>400</b>	-
- Tax Audit	<b>50</b>	-
- Certification	<b>50</b>	-
j) Insurance	<b>1,241</b>	-
k) Other Expenses* (see note No.10)	<b>20,472</b>	-
l) Provision for Doubtful Debts	<b>12,112</b>	-
	<u>158,917</u>	<u>-</u>
[ * Net of recoveries]		
<b>XVI INTEREST</b>		
a) On Fixed Loans	-	-
b) On Other Loans	<b>59,010</b>	-
	<u>59,010</u>	<u>-</u>

Schedules (Contd.)

Rupees in '000

As at / 15 months ended 31.03.2010	As at/ year ended 31.12.2008
--	------------------------------------

XVII Notes on Accounts

- 1 Notes on accounting Standards Prescribed by The Institute of Chartered Accountants of India

**ACCOUNTING STANDARD (1) - Disclosure of Accounting Policies**

The accounts are maintained on accrual basis as a going concern.

**ACCOUNTING STANDARD (2) - Valuation of Inventories**

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.

**ACCOUNTING STANDARD (3) - Cash flow statement**

The cash flow statement is prepared under "Indirect Method" and the same is annexed

**ACCOUNTING STANDARD (4) - Contingencies and events occurring after the balance sheet date**

Details regarding contested liabilities are furnished in Note No. 6 and also disclosed under accounting standard -29.

**ACCOUNTING STANDARD (5) - Prior Period Items**

NIL

NIL

**ACCOUNTING STANDARD (6) - Depreciation Accounting**

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 rate prescribed in schedule XIV of the Companies Act , 1956.

In respect of moulds ,the depreciation is charged based on quantity of Foams manufactured.

Depreciation in respect of assets acquired during the period whose actual cost does not exceed Rs.5,000/- has been provided at 100%.

**ACCOUNTING STANDARD (7)- Construction contracts**

Not Applicable

Not Applicable

**ACCOUNTING STANDARD (8) - R & D**

This standard is deleted from 1<sup>st</sup> April, 2003.

Schedules (Contd.)

Rupees in '000

XVII Notes on Accounts Contd.

As at / 15  
months ended  
31.03.2010

As at/  
year ended  
31.12.2008

**ACCOUNTING STANDARD (9) - Revenue Recognition**

The income of the company is derived from manufacture and sale of foams for automotive and non automotive application and other parts and accessories for automotive and non automotive applications. Domestic sales are recognised based on raising invoices and delivery of goods to the carrier.

Export Sales is recognised on the basis of the date of Let Export Certificate.

The revenue and expenditure are accounted on a going concern concept.

Interest income/expenses is recognised using the time proportion method based on rates implicit in the transaction.

**ACCOUNTING STANDARD (10) - Accounting for fixed assets**

Fixed assets are stated at cost less accumulated depreciation

**ACCOUNTING STANDARD (11) - Accounting for effects of changes in foreign exchange rates**

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, 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 credited to profit and loss account

1958

Nil

Foreign currency loan or deposit made outside India.

Nil

Nil

External commercial borrowings for acquisition of an asset, 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 does not have any External Commercial Borrowings for the acquisition of any Asset.

The company has not entered in to any transaction in derivative instruments and hence reporting on currency swapping / interest rate structure does not arise.

**ACCOUNTING STANDARD (12) - Accounting for Government grants**

No grant has been received during the period under review.

Schedules (Contd.)

Rupees in '000

XVII Notes on Accounts Contd.	As at / 15 months ended 31.03.2010	As at/ year ended 31.12.2008
<b>ACCOUNTING STANDARD (13) - Accounting for Investments</b>	<b>Not Applicable</b>	Not Applicable
<b>ACCOUNTING STANDARD (14) - Accounting for Amalgamation</b>	<b>Not Applicable</b>	Not Applicable
<b>ACCOUNTING STANDARD (15) - Employee benefits</b>		
<b>A. Defined contribution plan</b>		
(a) Contribution to provident fund is in the nature of defined contribution plan and are made to provident fund account of the Holding Company maintained by Government till February 2010. Thereafter the Company had contributed to the Provident fund account maintained by the Government on its account		
(b) Contribution to superannuation fund	<b>Not Applicable</b>	Not Applicable
<b>B. Defined benefit plan</b>		
(a) The company extends defined benefit plans in the form of leave salary to employees. Provision for leave salary is made on actuarial valuation.		
(b) Contribution to Gratuity Fund	<b>Nil</b>	Nil
The Company has initiated the process for the formation of Group Gratuity Fund. The Company has made provision in the books based on the actuarial valuation.		
<b>C. Disclosure as required by Accounting Standard 15</b>		
<b>(a) Expenses recognised in the Profit &amp; Loss Account Leave salary</b>		
(i) Current service cost	-	
(ii) Interest cost	-	
(iii) Expected return on plan assets	-	
(iv) Net actuarial loss/(gain) recognised during the period	<b>74</b>	
Total	<b>74</b>	
<b>(b) Change in defined benefit obligation during the period ended 31<sup>st</sup> March, 2010</b>		
(i) Present total value of obligation as the beginning of the period	-	
(ii) Interest cost	-	
(iii) Current service cost	-	
(iv) Benefits paid	-	
(v) Actuarial loss on obligation	<b>74</b>	
(vi) Present value of obligation as at the end of the period (31.03.2010)	<b>74</b>	

**Schedules (Contd.)**

Rupees in '000

XVII Notes on Accounts Contd.	As at / 15 months ended 31.03.2010	As at/ year ended 31.12.2008
<b>(c) Change in fair value of plan assets during the period ended 31<sup>st</sup> March 2010</b>		
(i) Fair value of plan assets at the beginning of the the period		
(ii) Expected return on plan assets		
(iii) Contributions made during the period		
(iv) Benefits paid		
(v) Actuarial gain on plan assets		
(vi) Fair value of plan assets as at the end of period (31.03.2010)		
<b>(d) Balance sheet movements</b>		
(i) Value benefit obligations / (net assets) at the beginning of the period		
(ii) Contributions made during the period		
(iii) Benefits paid		
(iv) Value of benefit		<b>74</b>
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.		
<b>(e) Actuarial assumptions</b>		
(i) Discount rate used		<b>8%</b>
(ii) Expected return on plan assets		<b>Not Applicable</b>
<b>ACCOUNTING STANDARD (16) - Borrowing costs</b>		
The borrowing costs has been treated in accordance with Accounting Standard issued by The Institute of Chartered Accountants of India.		
Borrowing Costs Capitalised during the period - Total		<b>5,794</b>
Land		<b>720</b>
Buildings		<b>1,530</b>
Plant and machineries		<b>3,077</b>
Moulds		<b>53</b>
Furnitures		<b>43</b>
Tools & fixtures		<b>3</b>
Office equipment		<b>21</b>
Vehicles		<b>36</b>
Heavy vehicles		<b>18</b>
Electrical installation		<b>169</b>
Computers		<b>12</b>
Fire protection systems		<b>112</b>

Schedules (Contd.)

Rupees in '000

XVII Notes on Accounts Contd.

As at / 15 months ended 31.03.2010	As at/ year ended 31.12.2008
--	------------------------------------

**ACCOUNTING STANDARD (17) - Segment reporting**

The operations of the entity relate to manufacture of foams for automotive and non automotive applications and other parts and accessories for automotive and non automotive applications. The income from sale of other parts and accessories being individually less than ten percent of total revenue, no separate disclosure is made.

**ACCOUNTING STANDARD (18) - Related party disclosure**

As per Annexure

<b>ACCOUNTING STANDARD (19) - Accounting for lease</b>	<b>Not Applicable</b>	Not Applicable
--	-----------------------	----------------

**ACCOUNTING STANDARD (20) - Earnings per share**

Disclosure is made in the Profit & Loss Account as per the requirement of the standard.

<b>ACCOUNTING STANDARD (21) - Consolidated financial statements</b>	<b>Not Applicable</b>	Not Applicable
---	-----------------------	----------------

**ACCOUNTING STANDARD (22) - Accounting for taxes on income**

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>8,522</b>	-
- tax on expenses claimed on payment basis under the Income Tax Act, 1961.	-	-
- tax on Preliminary Expenses	<b>1</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	<b>1,279</b>	-
- Provision for bad and doubtful debts	<b>3,742</b>	-
- Carry Forward of Losses	<b>23,125</b>	-
Deferred tax Asset (net of deferred tax liability)	<b>19,622</b>	-

<b>ACCOUNTING STANDARD (23) - Investment in associates</b>	<b>Nil</b>	Nil
--	------------	-----

<b>ACCOUNTING STANDARD (24) - Discontinuing operations</b>	<b>Nil</b>	Nil
--	------------	-----

<b>ACCOUNTING STANDARD (25) - Interim Financial Reporting</b>	<b>Not Applicable</b>	Not Applicable
---	-----------------------	----------------

Schedules (Contd.)

Rupees in '000

XVII Notes on Accounts Contd.

As at / 15 months ended 31.03.2010  
As at/ year ended 31.12.2008

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

During the period under review 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 these assets:

1. Software :

- Useful life of the asset	<b>2 Years</b>	Nil
- Amortisation rates used	<b>50% each year as Depreciation</b>	Nil

Gross carrying amount at the beginning and at the end of the period

Opening Balance	-	-
Addition during the Year	<b>47</b>	-
Total	<b>47</b>	-
Amortised as Depreciation	<b>21</b>	-
Closing Balance	<b>26</b>	-

2. Non Compete Fees :

- Useful life of the asset	<b>2 Years</b>	Nil
- Amortisation rates used	<b>50% each year as Depreciation</b>	Nil

Gross carrying amount at the beginning and at the end of the period

Opening Balance	-	-
Addition during the Year	<b>55000</b>	-
Total	<b>55000</b>	-
Amortised as Depreciation	<b>27500</b>	-
Closing Balance	<b>27500</b>	-

**ACCOUNTING STANDARD (27) - Financial reporting of**

**Interest in Joint Venture**

**Not applicable** Not applicable

**ACCOUNTING STANDARD (28) - Impairment of assets**

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.

Schedules (Contd.)

Rupees in '000

XVII Notes on Accounts Contd.

As at / 15  
months ended  
31.03.2010

As at/  
year ended  
31.12.2008

**ACCOUNTING STANDARD (29) - Provisions, Contingent liability and contingent asset**

1. 1 . Provisions		
Provisions have been made in the books of accounts for all ascertained liabilities.		
2. Contingent liabilities		
The amount for which the company is contingently liable are disclosed in Note No.5		
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. 6		
2. The figures for Profit and Loss account are not comparable with the previous year since the company commenced its operation on the 30 <sup>th</sup> March 2009		
3. The Company is a subsidiary of M/s Harita Seating Systems Limited.		
4. The Company has acquired Land to an extent of 4 Acres in terms of the Business Purchase Agreement with Harita Seating Systems Limited. However, certain formalities, with regard to such acquisition, are yet to be completed as on the date of the Balance Sheet.		
5. Contingent liabilities not provided for	<b>Nil</b>	Nil
6. Liability contested and not provided for	<b>Nil</b>	Nil
7. Deposit includes deposit with Central Excise	<b>187</b>	-
8. Sundry creditors include :		
a) Dues to small scale industrial undertakings	<b>8,159</b>	-
b) Dues to creditors other than small scale industrial undertakings.	<b>430,133</b>	-
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.		
The suppliers extend credit for 45 days within which all payments are made. Hence, the question of payment of interest or provision thereof for belated payments does not arise.		
9. Other expenses include :		
a) Reimbursement of expenses to Auditors	<b>143</b>	-
10. Expenses, wherever applicable are inclusive of Service tax at appropriate rates and net off service tax set off permissible		
11. In view of loss incurred during the period no provision for income-tax is made.		

**Schedules (Contd.)**

Rupees in '000

**XVII Notes on Accounts Contd.**
**Annexure to AS - 18 Related party disclosure**

Disclosure is made as per the requirements of the standard and the same is furnished below :

Reporting entity	Harita Fehrer Limited
List of related parties :	
Holding Company	Harita Seating Systems Limited
Associate	F.S. Fehrer Automotive GmbH, Germany
Key Management Personnel	Mr Rajesh Oommen Manager within the meaning of section 269 of the Companies Act 1956 with effect from 22.01.2010

Particulars of transactions with related parties during the 15 months period ended 31<sup>st</sup> March 2010

Sl. No.	Particulars	Rupees in '000
1.	Business Area Purchases a) from Harita Seating Systems Limited b) from Sundaram Auto Components Limited	19,862 17,957
2.	Sales to Harita Seating Systems Limited	44,503
3.	Equity Contribution: a) Harita Seating Systems Limited b) M/s Fehrer automotive GmbH	275,400 693,860
4.	Rendering of Services : a) Harita Seating Systems Limited	29,171
5.	Receipt of Services: a) Harita Seating Systems Limited	101,585
6.	Amount outstanding as at Balance Sheet Date - Payable: a) Harita Seating Systems Limited b) F.S. Fehrer Automotive GmbH, Germany Receivable: a) Harita Seating Systems Limited	81,049 90,861 37,220
7.	Business Purchase Agreement consideration to Harita Seating Systems Limited	465,000

## Schedules (Contd.)

### XVII Notes on Accounts Contd.

Rupees in '000

Information Pursuant to the provisions of Part II of Schedule VI of the Companies Act, 1956 (vide notification dated 30<sup>th</sup> October, 1973 issued by the Ministry of Corporate Affairs, Government of India)

		Period ended 31.03.2010	Period ended 31.12.2008		
<b>I. RAW MATERIALS CONSUMED</b>					
<b>A Basic raw materials</b>	<b>Unit</b>	<b>Quantity</b>	<b>Value</b>	<b>Quantity</b>	<b>Value</b>
a) Polyol	Kgs	2489128	282,580	-	-
b) Isocyanate	Kgs	1740132	204,090	-	-
c) Others					
(which includes rods, upholstery materials, frames etc., which individually do not account for 10% or more of the total value of consumption)					
			<b>248,218</b>	-	-
			<b>734,888</b>		-
<b>B Consumption of raw materials and components</b>		<b>% of total Consumption</b>	<b>Value</b>	<b>% of total Consumption</b>	<b>Value</b>
a) Imported		0.40%	2,910	-	-
b) Indigenous		99.60%	731,978	-	-
		<b>100.00%</b>	<b>734,888</b>	-	-
<b>C Consumption of machinery spares</b>					
a) Imported		5.90%	792	-	-
b) Indigenous		94.10%	12,624	-	-
c) Labour charges		-	-	-	-
		<b>100.00%</b>	<b>13,416</b>	-	-
<b>II IMPORT CIF VALUE</b>					
a) Raw Materials & components			3,035		-
b) Capital Goods			182		-
c) Spares			805		-
			<b>4,022</b>		-
<b>III OTHER EXPENDITURE IN FOREIGN CURRENCY</b>					
a) Travel			-		-
b) Others			-		-
			-		-
<b>IV EARNINGS IN FOREIGN CURRENCY</b>					
Exports - F.O.B			-		-

## Schedules (Contd.)

### XVII Notes on Accounts Contd.

Amount in Rs. '000

Particulars	Period ended 31 <sup>st</sup> March, 2010		Period ended 31 <sup>st</sup> March, 2008	
<b>V PAYMENT TO NON RESIDENT SHAREHOLDERS</b>				
a) No. of non resident shareholders	Nil			
b) No. of shares held by non-residents	Nil			
c) Dividends	Nil			
<b>VI SALE BY CLASS OF GOODS</b>				
	<b>Quantity (Nos)</b>	<b>Value</b>	<b>Quantity(Nos)</b>	<b>Value</b>
Automotive Seat Foams	4,680,553	790,233	-	-
Headrests	1,147,417	136,221	-	-
Others	-	-	-	-
		<u>926,454</u>		<u>-</u>

### VII LICENSED AND INSTALLED CAPACITY

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

	<b>Quantity (Nos.)</b>	<b>Value</b>	<b>Quantity (Nos.)</b>	<b>Value</b>
<b>VIII OPENING AND CLOSING STOCK OF GOODS</b>				
<b>PRODUCED</b>				
Opening stock	-	-	-	-
Add: Production /purchase meant for sale	4,823,750		-	-
Available for sale	4,823,750		-	-
Less: Closing stock	143,197	18,088	-	-
Sales	<u>4,680,553</u>		<u>-</u>	<u>-</u>

H LAKSHMANAN  
Director

C N PRASAD  
Director

As per our report annexed  
For RAGHAVAN, CHAUDHURI & NARAYANAN  
Chartered Accountants  
FRN:007761S

RAJESH OOMMEN  
Manager

S JAGANNATHAN  
General Manager - Finance & Secretary

V SATHYANARAYANAN  
Partner

Place : Chennai  
Date : 13.07.2010

Membership No. 27716

## Cash flow statement for the period ended 31<sup>st</sup> March, 2010

Amount in Rs. '000

	15 Months period ended 31.03.2010	Year ended 31.12. 2008
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before tax and extra ordinary items	(44,978)	
Add:		
Depreciation	69,768	
Dividend income		
Interest Income	(88)	
Interest Expenditure	59,010	
Miscellaneous Expenditure written off	7	
Operating profit before working capital changes	83,719	-
Adjusted for: Working Capital changes		
Inventory	(61,444)	
Trade receivables	(271,792)	
Loans and advances	(18,900)	
Other current assets	(2,318)	
Trade payables and provisions	496,212	(14)
Cash generated from operations	225,478	(14)
Adjusted for: Tax Liability		
Direct tax paid		
Deferred tax	(19,622)	
Net cash from operating activities - (A)	205,856	(14)
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(1,093,033)	
Sale of fixed assets		
Purchase of investments		
Sale of investments		
Interest received	88	
Dividend received		
Net cash used in investing activities - (B)	(1,092,945)	-
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Share Capital	170,334	500
Share Premium	798,926	
Secured loans	-	
Unsecured loans	-	
Interest paid	(59,010)	
Dividend and dividend tax paid		
Net cash from financing activities - (C)	910,250	500
<b>D. NET INCREASE IN CASH AND CASH EQUIVALENTS (A)+(B)+(C)</b>	<b>23,159</b>	<b>486</b>
Cash and cash equivalents at the beginning of the year	486	-
<b>Cash and cash equivalents at the end of the year</b>	<b>23,645</b>	<b>486</b>

Note : 1) Cash and Cash equivalent represent cash and bank balances

H LAKSHMANAN Director	C N PRASAD Director	As per our report annexed For RAGHAVAN, CHAUDHURI & NARAYANAN Chartered Accountants FRN:007761S
RAJESH OOMMEN Manager	S JAGANNATHAN General Manager - Finance & Secretary	V SATHYANARAYANAN Partner
Place : Chennai Date : 13.07.2010		Membership No. 27716

## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

### I REGISTRATION DETAILS

Registration no.  Date:   
 Balance sheet date:  State code:   
Date Month Year

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

Public issue:  Rights issue:   
 Bonus issue:  Private Placement:

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

Total liabilities:  Total assets:

#### Source of Funds

Paid up capital  Reserves & surplus   
 Secured loans  Unsecured loans   
 Deferred tax liability

#### Application of funds

Net fixed assets  Investments   
 Net current assets  Misc.expenses   
 Accumulated loss   
 Deferred tax asset

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

Turnover  Total expenditure   
 (includes other income)  
 Loss before tax  Loss after tax   
 Earnings per share Rs  Dividend rate

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

Item code no.

Product description

- 1
- 2
- 3



## 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)
--

#### 14<sup>th</sup> ANNUAL GENERAL MEETING

**Monday, the 6<sup>th</sup> September, 2010 at 2.30 P.M.**

'Kasturi Srinivasan Hall', The Music Academy,  
No.168 (Old 306) T.T.K. Road  
Chennai – 600 014

Member       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 14<sup>th</sup> Annual General Meeting of the Company to be held on  
Monday, the 6<sup>th</sup> September, 2010 at 2.30 P.M. and at any adjournment thereof.

Signed this ..... day of ..... 2010.

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

