

HARITA SEATING SYSTEMS LIMITED

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

POSTAL BALLOT NOTICE PURSUANT TO SECTION 192A OF THE COMPANIES ACT, 1956

Dear member(s)

Notice is hereby given pursuant to Section 192A of the Companies Act, 1956 (the Act) read with Companies (Passing of the Resolution by Postal Ballot) Rules, 2011, for obtaining consent of the members through Postal Ballot for the revision in remuneration payable to Mr A G Giridharan, President, as Manager, in terms of Section 198 read with Sections 387, 388, Schedule XIII and other applicable provisions of the Act.

The board of directors of the Company (the board) has appointed Mr K Sriram, Practising Company Secretary, Chennai as Scrutinizer, at its meeting held on 3rd January 2014, for conducting the Postal Ballot process in a fair and transparent manner.

The Postal Ballot Form is enclosed. You may kindly refer to the text of the special resolution reproduced below along with the Explanatory Statement annexed hereto.

Members are, therefore, requested to carefully read the instructions printed in the Postal Ballot Form and return the form duly completed, in the attached self addressed postage prepaid envelope, so as to reach the Scrutinizer not later than 5.30 p.m. on 10th February 2014.

The Scrutinizer will submit his report to the Chairman of the Company after completion of the scrutiny of Postal Ballot Forms. The result of the Postal Ballot will be announced by Mr H Lakshmanan, Chairman or in his absence, any person authorized by him, at the registered office of the Company at No. 29, Haddows Road, Chennai 600 006, Tamilnadu, India, on 11th February 2014. The date of declaration of the results of the Postal Ballot will be taken to be the date of passing of the said special resolution by the members of the Company.

Members requiring any clarification may contact Mr V N Venkatanathan, special officer or Ms N Iswarya Lakshmi, company secretary or Mr K Raman, manager – shares, Sundaram-Clayton Limited, Share Transfer Agent, at the registered office of the Company at the address given above or through e-mail viz., vnv@scl.co.in or ni.iswarya@scl.co.in or kr.raman@scl.co.in.

SPECIAL BUSINESS

Item No. 1

Consent for revision in the remuneration payable to Mr A G Giridharan, President, as Manager under the Companies Act, 1956.

To consider, and if thought fit, to pass the following resolution as a special resolution through Postal Ballot:

RESOLVED THAT, in partial modification of the special resolution passed by the shareholders of the Company, at the annual general meeting held on 21st September 2012 and subject to the provisions of Sections 198 read with 387 and 388 and Schedule XIII and other applicable provisions of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof for the time being in force or as may hereinafter be made by the Central Government in that behalf, from time to time or any amendments thereto) (the Act), the revision in remuneration payable to Mr A G Giridharan, President of the Company, as Manager under the Act, by increasing the overall limit of remuneration to an amount not exceeding Rs.80 lakhs per annum from Rs.54 lakhs per annum, for the period commencing from 1st April 2013 to 10th November 2015, as set out in the Explanatory Statement to this resolution, with an authority of the board of directors, (which term shall be deemed to include the Nomination and Remuneration Committee or any other committee constituted by the board in this behalf) to alter and vary the terms and conditions of the said appointment and/or remuneration and/or agreement, as may be agreed to between the board and Mr A G Giridharan, during the currency of his tenure mentioned hereinabove, be and is hereby approved.

RESOLVED FURTHER THAT the aforesaid remuneration, comprising of salary, commission on profits or performance linked incentive, perquisites and other allowances / benefits, contributions payable at such quantum and at such intervals, as may be decided by the board, from time to time, for each financial year, in aggregate, shall always be well within the limits, as prescribed under Sections 198 read with 387 and 388 of the Act or exceeding the limit of 'effective capital', subject to fulfilment of such terms and conditions and subject to such approvals / permissions / consents, if any, required, as specified under Section II(1)(C) of Part II of Schedule XIII of the Act, in case the Company has, in any financial year, no profits or if its profits are inadequate, with the liberty to the board to revise, amend, alter and vary the terms and conditions of his remuneration in such manner, as may be permitted, in accordance with the provisions of the Act or any modification thereto and, as may be agreed to by and between the board and Mr A G Giridharan.

RESOLVED FURTHER THAT all other terms and conditions of appointment and remuneration of Mr A G Giridharan, President, as Manager for the purpose of the Act, as approved by the shareholders of the Company at the annual general meeting held on 21st September 2012 shall remain unchanged.

/By order of the Board/
For Harita Seating Systems Limited

Place: Chennai
Date: 3rd January 2014

N ISWARYA LAKSHMI
Company Secretary

Encl:

- (1) Explanatory Statement
- (2) Postal Ballot Form & self addressed postage prepaid envelope

Annexure to the Notice of Postal Ballot dated 3rd January 2014

EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013 ANNEXED TO THE NOTICE DATED 3rd JANUARY 2014 IN RESPECT OF THE SPECIAL BUSINESS.

The following Explanatory Statement sets out all the material facts relating to the special business mentioned in the accompanying Notice dated 3rd January 2014 and shall be taken as forming part of the Notice.

Item No:1

The board of directors of the Company (the board) reappointed Mr A G Giridharan, President as Manager for the purpose of the Companies Act 1956 (the Act), for a period of three years, from 11th November 2012, on such terms and conditions, as agreed to between him and the Company, subject to the approval of the shareholders of the Company.

The shareholders approved the said terms and conditions of his appointment and remuneration within the overall limit of Rs.54 lakhs per annum, for a period of three years, by way of a special resolution passed at the annual general meeting of the Company held on 21st September 2012.

They also conferred powers upon the board to determine the quantum of individual items of his remuneration for each financial year, subject to the said overall limit, calculated, in accordance with the provisions of Sections 349 and 350 of the Act.

The board, at its meeting held on 3rd January 2014, revised his remuneration effective 1st April 2013, for the remaining period of his tenure i.e., upto 10th November 2015, so as to bring his remuneration in line with the overall salary structure prevailing at similar levels in the industry, based on the recommendation of the Nomination and Remuneration Committee of directors.

The board also considered and approved the said revision, after taking into account the additional responsibilities entrusted upon him and his performance during the difficult period of slowing economy.

Since the Company's profits for the year are inadequate, as noted from the quarterly results, the payment of remuneration to the Manager is governed by Section II(1)(C) of Part II of Schedule XIII of the Act and therefore, requires approval of the shareholders, by way of a special resolution and approval of the Central Government.

However, in terms of the relevant amended proviso to Schedule XIII of the Act, the approval of the Central Government for the revision is dispensed with, since Mr A G Giridharan is not having any interest in the capital of the Company, directly or indirectly or through any other statutory structures and also not having any direct or indirect interest or related to directors or promoters of the Company at any time during last two years before or on the date of appointment and having more than the prescribed level of qualification with expert and specialized knowledge in the field of his profession.

Similarly, the revised Schedule V of the Companies Act, 2013, equivalent to the existing Schedule XIII of the Act, also permits increased quantum of payment of remuneration, when the Company has no profits or inadequate profits without approval of the Central Government, subject to fulfilment of such terms and conditions, as envisaged therein and the approval of the shareholders by way of a special resolution.

The board, therefore, approved the revision for the remaining tenure of his term, subject to the approval of the shareholders only, by way of a special resolution, by increasing the said overall limit to an amount not exceeding Rs.80 lakhs per annum effective 1st April 2013 from Rs.54 lakhs per annum, by enhancing the quantum of maximum remuneration, payable under the head as follows:

- (i) Salary and commission on profits or performance linked incentive or bonus, from Rs.30 lakhs per annum to an amount not exceeding Rs.40 lakhs per annum; and
- (ii) Perquisites and allowances from Rs.24 lakhs per annum to an amount not exceeding Rs.40 lakhs per annum effective from 1st April 2013, proportionately for the period commencing from 1st April 2013 to 10th November 2015.

All other terms and conditions of appointment and remuneration, as approved by the shareholders at the annual general meeting of the Company held on 21st September 2012, shall remain unchanged.

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

The directors, therefore, recommend the resolution, as set out in item no.1 of the Notice to be approved, as a special resolution, by the shareholders of the Company.

Mr A G Giridharan, President, as a key managerial person, is concerned or interested in the special resolution mentioned above as it relates to his remuneration.

None of the directors or other key managerial personnel and / or their relatives is deemed to be interested or concerned in this resolution, except to the extent of their shareholding in the Company.

/By order of the Board/
For HARITA SEATING SYSTEMS LIMITED

Place: Chennai
Date: 3rd January 2014

N ISWARYA LAKSHMI
Company Secretary

Inspection of documents:

The documents referred to in the Notice and the Explanatory Statement will be available for inspection at the registered office of the Company on any working day between 10.00 a.m and 12.00 noon till 10th February 2014.

ANNEXURE FORMING PART OF THE EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION II(1)(C) OF PART II OF SCHEDULE XIII OF THE ACT.

I	GENERAL INFORMATION				
1.	Nature of Industry	Auto ancillary industry – The Company is engaged in the manufacture of seat and seating systems for automotive applications.			
2.	Date of commencement of Business	2 nd May 1997			
3.	Financial Performance based on given indicators	Rs.in lakhs			
		Financial performance	2010-11	2011-12	2012-13
		Total Turnover	24231.80	30890.03	27842.86
		EBITDA	594.85	2364.22	2295.52
		Profit before tax	(584.10)	1417.96	1314.02
		Profit after tax	(509.99)	1122.01	1067.15
		Dividend paid (including Corporate dividend tax)	-	299.40	209.82
	Dividend rate	-	35%	25%	
4.	Export performance and net foreign exchange collaborations.	Export performance : F.O.B value of export	2147.17	2757.74	2845.06
5.	Foreign Investments or Collaborators, if any.	Mr Martin Grammer, Promoter and Foreign Director, holds 14% of the paid up equity capital of the Company.			
II	INFORMATION ABOUT THE APPOINTEE				
1.	Background details	Mr A G Giridharan is a B.Tech (Hons.) from IIT – Kharagpur and PGDM from IIM – Kolkata. He started his career in 1990 as Management Accountant in Hindustan Lever Limited. He had served for seven years in KPMG Consulting, as Associate Director and moved on to Greaves Cotton Limited in 2002, where he was the Business Head for Agri Equipment Division. In total, Mr Giridharan has 20 years of industrial experience.			

2.	Past remuneration	Mr A G Giridharan, President was appointed as Manager under the Companies Act, 1956 for a period of three years effective 11 th November 2009. Thereafter, he was re-appointed as Manager for a further period of three years effective 11 th November 2012.
3.	Recognition or Awards	Nil
4.	Job profile and his suitability	As President, he will be in charge of the overall management of the affairs of the Company and given his qualifications and experience, he would be ideally suited to ensure the growth of the business and improve the profitability of the Company.
5.	Remuneration proposed	As contained in the special resolution in item no.1 of the Notice dated 3 rd January 2014.
6.	Comparative remuneration profile with respect to industry, size of the Company	The remuneration proposed is comparable with similar positions in the automotive industry for the given profile of the person and nature of his responsibilities.
7.	Pecuniary relationship	Nil
III	OTHER INFORMATION	
1.	Reason for loss or inadequate profits	The unprecedented increase in the prices of commodities especially crude and steel had an impact on the raw material prices, which could not be passed on to the customers of the Company. Consequently, the sudden drop in demand in the second quarter of the year had a negative impact on the profitability.
2.	Steps taken or proposed to be taken for improvements	The Company has taken various steps to improve its performance. These include containing the cost, acquisition and consolidation of new business, productivity improvement and value engineering technologies, special focus and participation in Government sponsored social sector program-JNNURM to expand the bus passenger segment.
3.	Expected increase in productivity and profits in measurable terms	In view of the proposed steps to improve the productivity and consequent increase in profits, it is expected that sales would improve and profit would increase in the range of 3% to sales as a result of the aforesaid efforts.
IV	DISCLOSURES	
1.	The shareholders of the Company shall be informed of the remuneration package of the managerial person	Yes. The information has been set out in detail in the resolution and explanatory statement hereto.
2.	The following disclosures shall be mentioned in the Board of Directors' Report under the heading Report on Corporate Governance, if any, attached to the Annual Report.	i. <i>All elements of remuneration package such as salary, benefits, bonuses, stock options, pension etc :</i> This will be fully covered under the Corporate Governance Report. ii. <i>Details of fixed component and performance linked incentives along with the performance criteria:</i> As given in the resolution, performance criteria is based on the net profits as provided under Schedule XIII of the Act. iii. <i>Service contracts, notice period, severance fees:</i> Three months' notice period. iv. <i>Stock option details, if any, and whether the same has been issued, at a discount as well as the period over which accrued and over which exercisable:</i> Not applicable.

/By order of the Board/
For Harita Seating Systems Limited

Place: Chennai
Date: 3rd January 2014

N ISWARYA LAKSHMI
Company Secretary