



ATLAS

ANNUAL REPORT 1998-99

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ATLAS CYCLE INDUSTRIES LTD.



ATLAS CYCLE INDUSTRIES LIMITED SONEPAT - 131 001

BOARD OF DIRECTORS :

Shri Hari Krishan Ahuja
Shri Hira Lal Bhatia
Shri I.D. Chugh
(Whole Time Director)
Shri Jai Narain Sawhney
Shri Prithvi Raj Chawla
Shri S.N. Seth

REGISTERED OFFICE:

Atlas Road,
Industrial Area,
SONEPAT - 131 001
(HARYANA)

AUDITORS:

Messrs Mehra Khanna & Co.
Chartered Accountants,
DELHI

BANKERS:

Central Bank of India
Punjab National Bank
Bank of Baroda
State Bank of India

PRINCIPAL EXECUTIVE OFFICERS:

President
Shri Bishamber Das Kapur

Joint President
Shri Jai Dev Kapur

Joint President
Shri Jagdish Kapur

Company Secretary
Shri T.A. Viswanathan

NOTICE TO THE SHAREHOLDERS

Notice is hereby given that the Forty Eighth Annual General Meeting of Atlas Cycle Industries Ltd., Sonapat will be held at the Registered Office of the Company in the Industrial Area, Sonapat on Tuesday, the 28th September, 1999 at 4.00 P.M. (I.S.T.) to transact the following business :-

1. To receive, consider and adopt Directors' Report and the audited Balance Sheet as at 31st March, 1999 and the Profit and Loss Account for the year ended on that date.
2. To declare dividend on equity shares.
3. To appoint a director in place of Shri H.K. Ahuja who retires by rotation. Being eligible, he offers himself for reappointment.
4. To appoint a director in place of Shri Hira Lal Bhatia who retires by rotation, Being eligible, he offers himself for reappointment.
5. To appoint auditors for the current year and fix their remuneration. Messrs Mehra Khanna & Co., Chartered Accountants, the present auditors, offer themselves for reappointment.

SPECIAL BUSINESS

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

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

A) AFTER ARTICLE NO. 12 INSERT THE FOLLOWING ARTICLE AS ARTICLE NO. 12A; DEMATERIALISATION OF SECURITIES :

a) Definitions:

For the purpose of this Article:

"Beneficial Owner" means the beneficial owner as defined in clause (a) of sub-section 1 of section 2 of the Depositories Act, 1996 and means a person or persons whose name/s is/are recorded as such with a depository. "SEBI" means the Securities & Exchange Board of India;

"Depository", means a Company formed and registered under the Companies Act, 1956, and which has been granted a certificate of registration to act as a depository under the Securities & Exchange Board of India Act, 1992; and "Security" means such security as may be specified by SEBI from time to time.

b) Dematerialisation of Securities:

Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise (as also rematerialise) its securities and to offer for subscription the securities in a dematerialised form pursuant to the Depositories Act, 1996. The Company shall further be entitled to maintain a Register of Members holding shares both in material and dematerialised form in any mode as permitted by law including any form of electronic mode.

c) Options for investors:

Every person subscribing to securities offered by the Company shall have the option to receive the security certificates or to hold the securities with a depository. Such a person who is the beneficial owner of the securities can at any time opt out of the Depository, if permitted by the law, in respect of any security in the manner provided by the Depositories Act, and the Company shall in the manner and within the time limit prescribed, issue to the beneficial owner the required certificate of securities. If a person opts to hold his security with a depository, the Company shall intimate such depository the details of allotment of the security, and on receipt of the information, the depository shall enter in its record the name of the allottee as the beneficial owner of the securities.

d) Securities in depositories to be in fungible form:

All securities held by a depository shall be dematerialised and shall be in a fungible form. Nothing contained in Sections 153, 153A, 153B, 187B, 187C and 372A of the Companies Act, shall apply to a depository in respect of the securities held by it on behalf of the beneficial owner.

e) Rights of depositories:

- (i) Notwithstanding anything to the contrary contained in the Act or these Articles, a depository shall be deemed to be the registered owner for the purposes of effecting transfer



of ownership of security on behalf of the beneficial owners.

- (ii) Save as otherwise provided in (i) above, the depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it.
- (iii) Every person holding securities of the Company and whose name is entered as the beneficial owner in the records of the depository shall be deemed to be a member of the Company. The beneficial owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities, which are held by a depository.

f) Service of Documents :

Notwithstanding anything in the Act or these Articles to the contrary, where securities are held in a depository, the records of the beneficial ownership may be served by such depository on the Company by means of electronic mode or by delivery of floppy diskettes.

g) Transfer of securities :

Nothing contained in Section 108 of the Act or these Articles, shall apply to a transfer of securities effected by a transfer or and transferee both of whom are entered as beneficial owners in the records of a depository. Further more, where the Company has not issued any certificates and where such shares or securities are being held in an electronic and fungible form, the provisions of Depositories Act, 1996, shall apply.

h) Allotment of securities dealt with by a depository :

Notwithstanding anything contained in the Act or these Articles, where securities are dealt with by a depository, the Company shall intimate the details thereof to the depository immediately on allotment of such securities.

i) Distinctive numbers of securities held in a Depository :

Nothing contained in the Act or these Articles regarding the necessity of having distinctive numbers for securities issued by the Company shall apply to securities held with a depository.

j) Register and Index of Beneficial owners:

The Register and Index of beneficial owners maintained by a depository under the Depositories Act, 1996, shall be deemed to be the Register and Index of Members and Security holders for the purposes of these Articles.

B) AFTER ARTICLE 54A, INSERT THE FOLLOWING ARTICLE AS ARTICLE 54B :

Buy Back of shares : Notwithstanding anything contained in these Articles, the Company shall have the power, subject to and in accordance with the applicable provisions of the Act and the provisions of Securities and Exchange Board of India (Buy back of securities) Regulations, 1998, to buy back its own shares and securities as permitted on such terms and conditions as the Board of Directors may in their discretion deem necessary, subject to such limits and approvals, as may be permitted under the law from time to time.

EXPLANATORY STATEMENT UNDER SECTION 173 OF THE COMPANIES ACT, 1956.

- a) With the introduction of the Depositories Act, 1996 and the Depository System, some of the provisions of the Companies Act, 1956 have been amended, relating to the issue, holding, transfer and transmission of shares and other securities to facilitate the implementation of the new system. The Depository system of holding shares and securities in an electronic form is a safer, more convenient method for holding and trading in the securities of a company. Your Company is also proposing to join the Depository System and it has become essential to suitably amend/alter the Articles of Association of the Company as set out in item A above to reflect the provisions of the Depositories Act, 1996 and to spell out the rights of the beneficial owners of the securities in such a system.

- b) Proposal is placed for introducing a new Article 54B in the Articles of Association as set out in the Resolution at Item B above to enable the Company to purchase any of its shares or securities. The actual purchase of shares/securities would be taken up after obtaining the prior approval of the members in the General Meeting.
- c) A copy of the Memorandum and Articles of Association of the Company together with the proposed alterations is available for inspection by the Members of the Company at the Registered Office of the Company at Industrial Area, Sonapat between 3.00 p.m. and 5.00 p.m. on any working day of the Company.
- d) Your Directors commend the above Resolution.
- e) None of the Directors is interested or concerned in the above Resolution.

7. To consider and, if thought fit, to pass the following resolution, with or without modification(s), as a Special Resolution :-

“ RESOLVED THAT subject to the provisions of Section 77A of the Companies Act, 1956 and other applicable provisions of the aforesaid Act (including any statutory modification(s)) or re-enactment thereof and any ordinance promulgated in this regard for the time being in force and as may be enacted/ promulgated from time to time) and subject to such other approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the “Board”), the consent of the Company be and is hereby accorded to the Board to buy back from the existing holders of equity shares on a proportionate basis and/or from the open market and/or from the lots smaller than the market lots of equity shares (odd lots) equity shares of the Company from time to time, from out of the free reserves or out of share premium reserve of the Company so that the total value of equity shares to be bought back shall not exceed 25 percent of the total paid up capital and free reserves of the Company provided that the buy back of equity shares in any financial year shall not exceed 25 percent of the total paid up capital of the Company in that financial year and provided further that the aggregate cost incurred by the Company for the equity shares so bought back shall not exceed a sum of Rs.9.00 Crores (Rupees Nine Crores only).

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts and things and deal with all such matters and take all such steps in this regard as it may, in its absolute discretion, deem necessary, fit or proper”.

EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956.

The shareholders will recall that a special resolution was passed at the Annual General Meeting of the Company held on 25th September, 1998 approving buy back of securities so that the total cost incurred by the Company for the securities so bought back shall not exceed a sum of Rs. 4.00 crores (Rs. four crores only). Since then, vide Companies (Amendment) Act, 1999 the conditions relating to buy back of securities were stipulated by Section 77A and in accordance with the aforesaid provisions, a special resolution is required to be passed afresh and is accordingly placed before the shareholders for their approval. As required under schedule I to SEBI (Buy back of Securities) Regulations, 1998 the following particulars are being given:-

- a) The proposal for buy back was approved by the Board of Directors of the Company at their meeting held on 19.8.99.
- b) The buy back is intended to enhance shareholder's value of the equity shares of the Company.
- c) The Board may buy back the equity shares on proportionate basis from the existing shareholders and/or from the open market and /or from the odd lot shareholders.



d) The maximum amount required under the buy back shall be Rs. 9.00 crores (Rupees Nine crores only) which would be financed from out of free reserves or share premium account of the Company.

e) The equity shares will be bought back at a price not exceeding Rs.300/- per share. The price indicated herein has been arrived at after taking into account the maximum price at which the equity shares of the Company were quoted on Bombay Stock Exchange on 19.8.99 and the upward trend seen in the price of Company's equity shares on the stock exchange.

f) The Company proposes to buy back not more than 8,00,000 (Eight lacs) equity shares within the overall cost of Rs. 9.00 crores (Rupees Nine crores only) approved under the special resolution.

g) i) As on 20th August, 1999, the promoters of the Company and their family and other Companies promoted by the promoters of the Company hold 16,46,976 equity shares which is approximately 50.65 percent of the equity share capital of the Company.

ii) A total number of 400 equity shares were purchased during the period of six months preceding 20.8.1999 by one of the Companies promoted by the promoters.

iii) The equity shares referred to in (ii) above were purchased at a minimum price of Rs. 52 and maximum price of Rs. 72 on 10.6.99 and 13.7.99 respectively.

h) The promoters do not intend to tender their shares for buy back.

i) It is confirmed that there are no defaults subsisting in repayment of deposits, redemption of debentures or preference shares or repayment of term loans to any financial institutions or banks.

j) It is confirmed that the Board of Directors has made a full enquiry into the affairs and prospects of the Company and that they have formed the opinion :-

i) that immediately following the date on which the General Meeting is convened there will be no grounds on which the Company could be found unable to pay its debts;

ii) as regards its prospects for the year immediately following that date, having regard to their intentions with respect to the management of the company's business during that year and to the amount and character of the financial resources which will in their view be available to the company during that year, the company will be able to meet its liabilities as and when they fall due and will not be rendered insolvent within a period of one year from that date; and

iii) in forming their opinion for the above purposes, the directors have taken into account the liabilities as if the company were being wound up under the provisions of the Companies Act, 1956 (including prospective and contingent liabilities);

k) A report of the Company's Auditors addressed to the Board of Directors is appended below.

l) The buy back of shares shall be completed within a period of twelve months from the date of passing of the above special resolution.

Excepting the directors who hold equity shares of the company other directors are not concerned or interested in the resolution.

Report of the Company's Auditors

20th August, 1999

The Board of Directors,
Atlas Cycle Industries Ltd.,
Sonepat

Dear Sirs,

Sub:- Buy back of equity shares

As required under clause xi of schedule I to SEBI (Buy Back of Securities) Regulations, 1998 we report that:-

a) We have enquired into the state of affairs of Atlas Cycle Industries Ltd. b) The amount of the permissible capital payment for the securities in question is, in our view, properly determined.

c) The Board of Directors have formed the opinion as specified in clause (x) of the aforesaid schedule I on reasonable grounds and that the Company having regard to its state of affairs, will not be rendered insolvent within a period of one year from the date of the next Annual General Meeting, i.e. 28th September, 1999.

Yours faithfully
for MEHRA KHANNA & COMPANY
Sd/-
ANAND M. MEHRA
FCA (ENG & WALES), ACA
Partner

NOTES

1. The Register of Members of the company will remain closed from the 21st September, 1999 to 28th September, 1999 both days inclusive. Duly completed and valid applications for transfer of shares received in order at the Registered Office of the Company on or before 20th September, 1999 will be registered in time for transferees to become eligible for dividend.

2. Members may get any change in their address/their mandates registered with the Company on or before the 20th September, 1999.

3. The dividend when declared will be made payable at the Company's bankers. The dividend warrants will be posted on or before 8th November, 1999 to the registered addresses of the shareholders or their mandates whose names stand in the register of members on 28th September, 1999.

4. Any member unable to attend personally is entitled to appoint another person (whether a member or not) as his proxy to attend and vote instead of himself subject to the provisions of section 176 of the Companies Act, 1956. Such proxy form should reach the Registered Office of the Company at least 48 hours before the time fixed for the meeting. A copy of the proxy form is enclosed.

5. Pursuant to Section 205A of the Companies Act, 1956 all unclaimed dividends up to the financial year ended 31st March, 1994, have been transferred to the General Revenue Account of the Central Government. Members who have not encashed the dividend warrants for the said period or earlier are requested to claim the amount from the Registrar of Companies, N.C.T. of Delhi & Haryana, New Delhi. As per the amended Section 205A(5) of the Companies Act, 1956, with effect from 31st October, 1998, dividend remaining unclaimed for a period of 7 years from the date it became due for payment, shall be transferred by the Company to the Fund established by the Central Government and no claims shall lie against the Fund or the Company after such transfer. Accordingly, dividend declared for the year ended 31st March, 1995, and which remain unclaimed shall be transferred to the Fund by October 2002. Members who have not encashed their dividends for the said period are requested to claim the amount from the Company before October, 2002.

6. Members are requested to kindly bring their copies of the Report to the meeting.

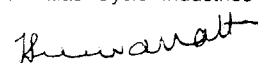
7. Members who are holding shares in identical names in more than one folio, are requested to write to the Company to enable the Company to consolidate their holdings in one folio.

8. Members who have not yet surrendered the Letter(s) of Allotment along with the allotment money receipt(s) in respect of 12.5% Non-convertible Debentures, may do so promptly to enable the Company to forward the respective certificate(s) to them.

9. We are sending herewith all the documents required under section 219(1) of the Companies Act. The Directors' Report sent herewith is without its Annexure. However, pursuant to the requirement of proviso (b) (iv) to section 219(1) of the Companies Act, 1956 the said Directors' Report along with its Annexure is available for inspection at Company's Registered Office, Industrial Area, Sonepat during working hours from today till 28th September, 1999.

10. In terms of Section 109A of the Companies Act, 1956, the Share/ Debenture holder(s) of the Company may nominate a person on whom the Shares or Debentures held by him/them shall vest in the event of his/their death. Share/Debenture holder(s) desirous of availing this facility may submit nomination in Form 2B.

By order of the Board
for Atlas Cycle Industries Ltd.


(T.A. Viswanathan)
Company Secretary)

Sonepat : the 20th August, 1999



DIRECTORS' REPORT

TO THE MEMBERS

Your directors have pleasure in submitting their Forty Eighth Annual Report together with the audited accounts of the Company for the year ended 31st March, 1999.

FINANCIAL HIGHLIGHTS	(LAC/Rs.)
OPERATING PROFITS	1886
LESS: INTEREST	540
DEPRECIATION	407
	947
	939
LESS: PROVISION FOR TAX	247
	692
ADD: TRANSFERRED FROM INVESTMENT ALLOWANCE RESERVE	60
PROFIT BROUGHT FORWARD	114
	866
THE SAME IS APPROPRIATED AS UNDER:-	
PROPOSED DIVIDEND	114
DIVIDEND TAX	11
PCD REDEMPTION RESERVE	11
NCD REDEMPTION RESERVE	118
GENERAL RESERVE	500
SURPLUS CARRIED FORWARD	112
	866

DIVIDEND

Your directors had declared an interim dividend @ 10% p.a. on 32,51,919 Equity shares for the year under report and are now pleased to recommend a final dividend of 25% p.a. on these equity shares which makes a total dividend of 35% p.a. on the equity shares for the year under report.

The amount of dividend will total Rs. 113.82 lacs (Previous year Rs. 84.14 lacs including preference share dividend of Rs. 2.95 lacs).

PRODUCTION

26,85,391 bicycles (including exercisers) were produced during the period under consideration.

SALES

Sales during the year amounted to Rs.32,738 lacs including the sales to foreign countries.

EXPORTS

During the period under consideration your Company exported bicycles and bicycle components to around 20 countries, thereby earning valuable foreign exchange of Rs.1391.11 lacs including indirect exports of Rs.12.51 lacs. In contrast thereto the expenditure in foreign currency, including the value of imports, amounted to Rs.104.25 lacs.

U.P. PROJECT

As planned, the expansion programme is going on at Sahibabad. In our continuing endeavour to offer best possible quality to our customers, another state of the art "Paint Application Plant" has been commissioned and production started. This unit has given excellent results during the financial year under report. Higher productivity and growth is promised to maintain upward trend.

TUBE MILL

Performance of the Tube Mill continued to be satisfactory. New sizes were added in the existing product range for producing tubes for wider applications. Automatic tube recutting and deburring machines were imported to enhance recutting capacities.

MALANPUR UNIT

The performance of Malanpur Unit continued to be satisfactory.

CAPITAL EXPENDITURE

During the year, the Company acquired capital assets worth Rs. 374.73 lacs as against Rs.504.81 lacs in the previous year. This includes capital assets worth Rs.73.96 lacs under construction/installation as against Rs.71.26 lacs in the previous year.

DEPOSITS (INCLUDING LOANS FROM MEMBERS)

- Total number of depositors on 31.3.99 who have not claimed their deposits after the date on which their deposits became due for payment 155.
- The aggregate amount of deposits due to the depositors on 31.3.99 who have not claimed their deposits, including interest accrued, if any, after the dates on which their deposits became due for payment - Rs. 26.26 Lacs.

Deposits aggregating Rs.14.97 lacs pertaining to 63 depositors have since either been renewed or paid.7 depositors whose deposits, including interest, amount to Rs.2.42 lacs are reported to have expired; their deposits will be paid to the legal heirs on production of proper authority. The remaining depositors whose deposits,

including interest, amount to Rs.8.87 lacs have not sent any instructions for the disposal of their matured deposits. These will be renewed or repaid as soon as instructions are received from the concerned depositors.

CONSERVATION OF ENERGY

The following measures for Conservation of Energy were taken during the year:-

- Recycling of water for cooling purposes from compressors & Rim Rolling Mills.
- Lagging of old steam pipe lines redone to prevent heat loss.
- At a number of places in the offices SFL5 introduced to lower down power consumption.
- Replacement of sodium fittings (250w) in place of high power consuming hologen fitting for outside lighting.
- Installation of 3 H.P. motorised spindles in place of 5 H.P. motorised spindles.

TECHNOLOGY ABSORPTION

A new mountain bike with several salient features was developed and introduced in the market and has received an overwhelming response.

New models for children and ladies were also developed and introduced in the market. The work on development of several models is in progress.

Total expenditure on research & development for the year ended 31.3.99:-

Capital	—
Recurring	Rs.23.77 lacs

FOREIGN EXCHANGE EARNING AND OUTGO

Total foreign exchange earned	: Rs.1378.60 lacs
Total foreign exchange used	: Rs.104.25 lacs

PARTICULARS OF EMPLOYEES

The information required under section 217(2-A) of the Companies Act 1956 and the rules framed thereunder relating to particulars of employees is given in the annexure to this report.

Y2K COMPLIANCE

The compliance work began in Mid 1998. The Company does not foresee any problems in the operation due to Y2K related issues in view of the following:

All major commercial transactions will be carried out with RDBMS, which is Y2K compliant. Other softwares for facilitating day to day functioning are either Y2K compliant or in the process of modification/upgradation.

All the personal computers installed in the network i.e. which are being used in business transactions have already been made Y2K ready.

Sufficient stocks of all critical raw materials, stores & spares will be maintained to avoid any disruption of manufacturing process due to delay caused by non-compliant Y2K systems of our vendors. We do not foresee any disruption of utility services like Power, Water, transportation etc.

Based on the plans for upgradation/modification of Hardware/Software, an expenditure of Rs. 15 lacs is estimated to ensure Y2K readiness of all the systems installed.

The Company is actively interfacing with suppliers and customers so that there is no Y2K problem.

The Company has almost achieved clean Y2K status.

LISTING OF COMPANY'S EQUITY SHARES

Your Company's shares continue to be listed on Delhi, Bombay and National Stock Exchanges. The Annual Listing Fee for the year 1999-2000 has been paid to all the three stock exchanges.

AUDITORS

M/s. Mehra Khanna & Company, Chartered Accountants, retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for reappointment.

DIRECTORS

S/Shri Hari Krishan Ahuja and Hira Lal Bhatia are retiring by rotation at this Annual General Meeting and, being eligible, offer themselves for reappointment.

Your directors wish to express their sincere appreciation of the services rendered by Shri Bishamber Das Kapur, President, Shri Jai Dev Kapur, Joint President and Shri Jagdish Kapur, Joint President of the Company all along.

Your directors also like to take the opportunity to place on record their appreciation of the contribution made by employees at all levels.

In the end, your directors wish to express their gratitude and appreciation to Central and State Governments, Financial Institutions and Company's bankers for their continued support, assistance and encouragement accorded to the Company.

Hari Krishan Ahuja Hira Lal Bhatia Ishwar Das Chugh Jai Narain Sawhney Prithvi Raj Chawla S.N. Seth	} Directors
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New Delhi, the 19th August, 1999.