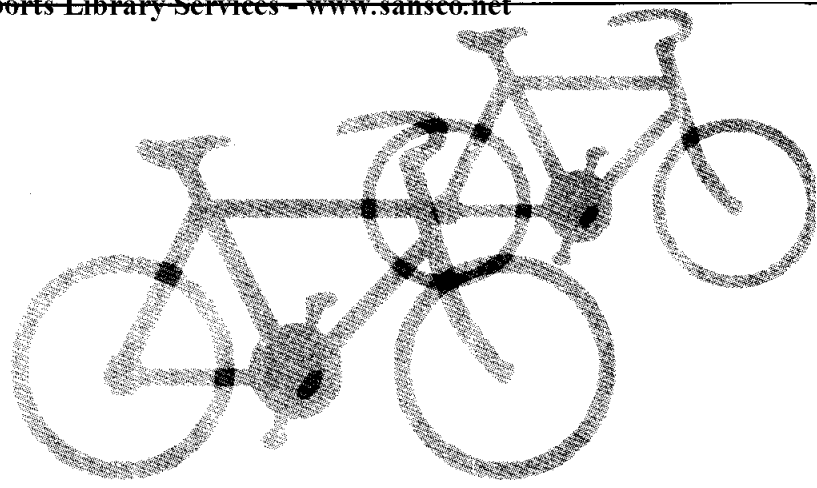


ANNUAL REPORT 2001-2002



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ATLAS CYCLES (HARYANA) LIMITED SONEPAT-131001

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

BANKERS:

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

REGISTERED OFFICE:

Atlas Road,
Industrial Area,
Sonepat-131001
(Haryana)

AUDITORS:

Messrs Mehra Khanna & Co.
Chartered Accountants,
Delhi



NOTICE TO THE SHAREHOLDERS

Notice is hereby given that the Fifty First Annual General Meeting of Atlas Cycles (Haryana) Ltd., Sonapat will be held at the Registered Office of the Company in the Industrial Area, Sonapat on Monday, the 30th September, 2002 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, 2002 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 S.N. Seth 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.

NOTES

1. The Register of Members of the Company will remain closed on 30th September, 2002. Duly completed and valid applications for transfer of shares received in order at the Registered Office of the Company before 30th September, 2002 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 before the 30th September, 2002.
3. The dividend when declared will be made payable at the Company's bankers. The dividend warrants will be posted on or before 29th October, 2002 to the registered addresses of the shareholders or their mandates whose names stand in the register of members on 30th September, 2002.
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. As per the amended Section 205A(5) of the Companies Act, 1956, with effect from 31st October, 1998, dividends 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 claim thereof shall lie against the Fund or the Company on the expiry of the said period of seven years. Members who have not encashed their dividends for the year ended 31.3.1995 onwards are requested to send unpaid dividend warrants to the Registered Office of the Company for payment in lieu thereof.
6. In terms of notification issued by Securities and Exchange Board of India, the equity shares of the Company are under compulsory demat trading for institutional investors from 26/6/2000 and for all investors from 28/8/2000. Shareholders who are desirous of holding their shares in demat mode are advised to send their share certificates along with Dematerialisation Request to the registered office of the Company through their depository participants.
7. Members are requested to kindly bring their copies of the Report to the meeting.

8. 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.
9. 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 certificates(s) to them.
10. 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 relating to Section 217 (2-A). However, pursuant to the requirement of proviso (b) (iv) to section 219(1) of the Companies Act, 1956 the said Directors' Report along with all Annexures is available for inspection at Company's Registered Office, Industrial Area, Sonapat during working hours from today till 30th September, 2002.
11. 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.
12. At the ensuing Annual General Meeting Shri Hari Krishan Ahuja and Shri S.N. Seth retire by rotation and being eligible offer themselves for re-appointment.

The information in relation to the aforesaid Directors are as under:-

- a) Shri Hari Krishan Ahuja, aged 78, years has been a Director of the Company since 6.8.1990. He is a commerce graduate and has been in textile machinery and import/export business for over fifty years. At present he is a director in the following companies:-

Kay Bee Industries (India) Pvt. Ltd., Mumbai

Atlas Cycles (Sonapat) Limited, Sonapat

Atlas Cycles (Sahibabad) Limited, Sonapat

Atlas Cycles (Malanpur) Limited, Sonapat

He is the Chairman of Audit Committee of the Board.

- b) Shri Satyender Nath Seth, aged 87 years, has been a Director of the Company since 28.6.1969. He is a graduate. He has been in automobile business for over sixty years. At present he is a director in the following companies:-

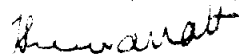
Atlas Cycles (Sonapat) Limited, Sonapat

Atlas Cycles (Sahibabad) Limited, Sonapat

Atlas Cycles (Malanpur) Limited, Sonapat

He is the Chairman of Investors Grievance committee of the Board.

By order of the Board
for ATLAS CYCLES (HARYANA) LTD.


(T.A. VISWANATHAN)
COMPANY SECRETARY

Sonapat : the 30th August, 2002



DIRECTORS' REPORT

TO THE MEMBERS:

Your directors have pleasure in submitting their Fifty First Annual Report together with the audited accounts of the Company for the year ended 31st March, 2002.

FINANCIAL HIGHLIGHTS

	(Lac/Rs.)
OPERATING PROFITS	1,837
LESS: INTEREST	445
DEPRECIATION	359
	804
	1,033
LESS: PROVISION FOR TAX	280
	753
ADD: PROFIT BROUGHT FORWARD	231
	984

DIVIDEND

Your directors recommend dividend @ 45% p.a. on 32,51,919 equity shares for the year under report.

The amount of dividend will total Rs. 146.34 lacs (Previous year Rs. 146.34 lacs).

PRODUCTION

24,53,057 bicycles (including exercisers) were produced during the period under consideration.

SALES

Sales during the year amounted to Rs. 34,851 lacs including the sales to foreign countries.

EXPORTS

During the period under consideration your Company exported bicycles and bicycle components to around 23 countries, thereby earning valuable foreign exchange of Rs. 19.85 crores.

U.P. PROJECT

The plant has continued to register higher productivity during the financial year. The bicycles from this plant, marketed in neighbouring country of Nepal have been well received. During the year, the fork plant has been modified by introducing upgraded technological changes.

TUBE MILL

The Tube Mill continued to show good results. The volume of sales to ancillaries of major automobile companies increased further during the year.

MALANPUR UNIT

Production at Malanpur unit continued to be normal except for a short period during the year.

CAPITAL EXPENDITURE

During the year, the Company acquired capital assets worth Rs. 312.95 lacs as against Rs. 361.38 lacs in the previous year. This includes capital assets worth Rs. 0.47 lacs under construction/installation as against Rs. 24.16 lacs in the previous year.

DEPOSITS (INCLUDING LOANS FROM MEMBERS)

- Total number of depositors on 31.3.2002 who have not claimed their deposits after the date on which their deposits became due for payment 110.
- The aggregate amount of deposits due to the depositors on 31.3.2002 who have not claimed their deposits, including interest accrued, if any, after the dates on which their deposits became due for payment Rs. 16.21 lacs.

Deposits aggregating Rs. 6.28 lacs pertaining to 29 depositors have since either been renewed or paid. The remaining depositors whose deposits, including interest, amount to Rs. 9.93 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:-

Halogen lights were replaced by Sodium Vapour Lamps, Electronic Chokes were introduced in place of conventional transformer type ones and inefficient old electric equipment was replaced with efficient equipment which helped in energy saving. Air stop valves were introduced to save compressed air in agitated rinse tank.

TECHNOLOGY ABSORPTION

Details of measures taken for technology absorption during the year under report are as under:-

- The Company indigenously developed and introduced the following new models of bicycles:-
 - 20" wheels "Atlas Swift" & "Skipper" bicycles for children.
 - 26" & 24" wheels lady bicycles called "Atlas Catz" & "Catz Junior." respectively.

- 24" wheels "Atlas Macho Junior." & "Atlas Ninja Junior." bicycles.
- 20" wheels bicycles "Atlas Sniffer" for children.
- 26" wheels lady bicycles "Atlas Monica".

- The Company indigenously upgraded existing models Atlas Ninja & Atlas MTB Genius and launched them in the market as Atlas Ninja DX and Atlas MTB DX respectively.

- Work is in progress on development of several new models with some attractive features for the coming year.

Total expenditure on research and development for the year ended 31.3.2002:-

Capital	
Recurring	Rs. 25.18 lacs
FOREIGN EXCHANGE EARNING AND OUTGO	
Total foreign exchange earned	Rs. 1,985.03 lacs
Total foreign exchange used	Rs. 191.13 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.

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 2002-2003 has been paid to all the three stock exchanges.

REDEMPTION OF NON-CONVERTIBLE DEBENTURES

In terms of the letter of offer dated 14-9-1994 12.5% non-convertible debentures of Rs. 200/- each were partially redeemed on 29-11-2001 by payment of first installment of Rs. 67/- per debenture.

SUBSIDIARY COMPANIES

Statement of Accounts of the subsidiaries together with statement under section 212 of the Companies Act, 1956, are annexed herewith.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956, Directors hereby confirm that :

- In the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanations relating to material departures.
- 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 31st March, 2002 and of the profit of the Company for that period.
- The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities, to the best of the knowledge and ability of the Directors.
- The Directors had prepared the Annual Accounts on a going concern basis.

AUDITORS' REPORT

The auditors comment in clause (f) of their audit report read with note no. fourteen of the notes to the accounts are self explanatory. Necessary steps are being initiated for recovery of the amount indicated in note no. fourteen of schedule 10 by the Company.

CORPORATE GOVERNANCE

A separate report on Corporate Governance is attached as a part of this report (Annexure-1). The Management Discussion and Analysis Report forms a part of the Corporate Governance report.

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 H.K. Ahuja and S.N. Seth are retiring by rotation at this Annual General Meeting and, being eligible, offer themselves for reappointment.

Your directors 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 Government, 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

New Delhi, the 29th August, 2002



CORPORATE GOVERNANCE REPORT 2001-2002

(A) Company's philosophy

The Company is fully aware of its corporate responsibility. It endeavours to fulfil all the requirements under the corporate Governance Code. In fact even before the code came into being, the Board of Directors was broad-based and except for one working Director, the remaining five Directors are independent Directors.

(B) Board of Directors

As at 31.3.2002, the Board of Directors comprises of five Non-Executive Directors and one Whole Time Director.

During the year fifteen Board Meetings were held on 5.4.2001, 7.4.2001, 28.4.2001, 4.5.2001, (adjourned to 7.5.2001), 30.5.2001, 6.6.2001, 28.7.2001, 27.8.2001, 29.9.2001, 27.10.2001, 29.11.2001, 31.12.2001, 26.1.2002, 27.2.2002, and 30.3.2002.

The composition of the Board of Directors and their attendance at the Board Meetings during the year and at the last Annual General Meeting as also number of other Directorships and Committee Membership/Chairmanship as on 31.3.2002 are as follows:

Name of Director	Category of Directorship	No. of Board meetings attended	Attended last AGM	No. of other Directorships (excluding private limited companies and foreign companies)	No. of Committee Memberships	
					Member	Chairman
Shri Hari Krishan Ahuja	I-NED	14	31.12.2001	3	-	1
Shri Hira Lal Bhatia	I-NED	15	31.12.2001	3	1	-
Shri I.D. Chugh	WTD	15	31.12.2001	4	1	-
Shri Jai Narain Sawhney	I-NED	14	31.12.2001	3	1	-
Shri Prithvi Raj Chawla	I-NED	15	31.12.2001	3	1	-
Shri S.N. Seth	I-NED	14	31.12.2001	3	-	1

I-NED - Independent Non-Executive Director

WTD - Whole Time Director

The ratio between Executive and Non-Executive Directors and Non-Independent and Independent Directors is 1:5.

(C) Board Audit Sub-Committee:

Terms of reference:

The Board Audit Sub-Committee was formed on 30.3.2002. The Committee comprises of three Independent-Non-Executive Directors, with Shri Hari Krishan Ahuja as Chairman. Since the Committee was appointed on 30.3.2002 no meeting of the Committee was held during the year.

(D) Remuneration Committee

This Committee is yet to be formed.

Remuneration Policy

A. Whole Time Director

- Salary and commission within the limits prescribed under Companies Act, 1956.
- Annual increments depending upon individual's performance.
- No sitting fees.

Non-Executive Directors

- Sitting fees and out of pocket expenses for attending meetings.

The remuneration payable to Whole Time Director was decided by the Board of Directors and approved by the shareholders for five years from 31.3.1998.

The remuneration payable to non-executive directors is decided by the Board of Directors.

Details of remuneration paid during 2001-2002

(A) Whole Time Director

Name	: Shri I.D. Chugh
Salary	: Rs. 2,89,900
Provident Fund	: Rs. 35,745
Perquisites	: Rs. 2,91,065
Commission	: <u>Rs. 4,34,290</u>
Total	: <u>Rs.10,51,000</u>

**(B) Non-Executive Directors**

Remuneration by way of sitting fees and out of pocket expenses for attending the meetings of the Board.

Name of Director	Sitting Fee Rs.	Out of Pocket expenses Rs.	Total Rs.
Shri Hari Krishan Ahuja	14,000	4,684	18,684
Shri Hira Lal Bhatia	15,000	4,934	19,934
Shri I.D. Chugh	-	4,934	4,934
Shri Jai Narain Sawhney	14,000	4,684	18,684
Shri Prithvi Raj Chawla	15,000	4,934	19,934
Shri S.N. Seth	14,000	4,684	18,684

(E) Shareholders/Investors Grievance Committee**(i) Terms of Reference:**

The Committee shall look into the matters stipulated under clause 49 of the Listing Agreement.

(ii) Composition:

The Committee comprises of two Independent-Non-Executive Directors.

Shri T.A. Viswanathan, Company Secretary is the Compliance Officer.

As the Committee was constituted on 30.3.2002 no meeting was held during the year.

(F) Share Transfer Sub-Committee

Shri I.D. Chugh, Whole Time Director of the Company has been delegated the power to approve share transfers.

As on 31.3.2002 no cases of transfer were pending.

During the year 126 letters/complaints were received from shareholders/debentureholders all of which were replied/resolved to the full satisfaction of the shareholders/debentureholders.

(G) General Body Meetings:

The last three Annual General Meetings were held as under:

Financial Year	Date	Time	Location
2000-2001	31.12.2001	4.00 PM	Industrial Area, Sonapat
1999-2000	26.09.2000	4.00 PM	Industrial Area, Sonapat
1998-1999	28.09.1999	4.00 PM	Industrial Area, Sonapat

No special resolution was passed in the last Annual General Meeting.

(H) Disclosures:

(i) There were no transactions of material nature with the Directors or the Management or their subsidiaries or relatives etc. during the year that had potential conflict with the interest of the Company at large.

(ii) There were no instances of non-compliance by the Company or penalties, strictures imposed on the Company by the Stock Exchanges or SEBI or any other authority on any matter related to the capital markets during the last three years.

(I) Means of Communication:

(i) Quarterly results are usually published in one English newspaper, viz., Financial Express and one Hindi newspaper, viz., Dainik Tribune

(ii) Management Discussion & Analysis Report is enclosed.

(J) General Shareholders Information:

(i) Next Annual General Meeting is proposed to be held on 30.9.2002 at Company's Registered Office in Industrial Area, Sonapat.

(ii) Financial Calendar

Accounting Year	April to March
First Quarter results	Last week of July
Second Quarter results	Last week of October
Third Quarter results	Last week of January

(iii) Date of book closure: 30.9.2002.

(iv) Dividend payment date: Dividend declared in the next Annual General Meeting will be paid within 30 days of the date of declaration to those shareholders whose names appear on the Register of members on the date of Annual General Meeting.

(v) Listing on Stock Exchanges and Stock Codes: Equity shares are listed on Delhi Stock Exchange (Stock Code DSE: 01174), National Stock Exchange and the Stock Exchange, Mumbai (Stock Code BSE: 5029).

(vi) Equity Share Price data for the year 2001-2002.

Equity Share Price on NSE and BSE

Month	SHARE PRICE ON NSE		SHARE PRICE ON BSE	
	HIGH Rs.	LOW Rs.	HIGH Rs.	LOW Rs.
2001-April	55.50	47.50	54.50	48.00
May	66.00	51.00	64.75	50.00
June	61.20	51.00	61.00	51.07
July	57.90	48.30	57.55	50.00
August	57.00	49.25	53.25	47.00
September	49.50	39.10	49.20	36.10
October	45.00	38.10	45.25	40.00
November	51.95	43.00	50.30	42.80
December	70.00	47.05	65.70	49.50
2002-January	55.00	49.00	52.50	47.80
February	55.00	48.00	54.90	46.05
March	53.00	49.00	52.85	49.00

(vii) Registrar and Share Transfer Agent: Share transfer and other related activities are carried out in-house by the Company.

(viii) Share Transfer System: The Company's shares are traded in the Stock Exchanges compulsorily in demat mode. Physical shares which are lodged with the Company for transfer are processed and returned to the shareholders within a period of 30 days.

(ix) Distribution of Equity Shareholding as on 31.3.2002



No. of Shares	Shareholders	
	Number	% to total no. of Shareholders
UPTO - 500	11,678	96.38
501 - 1000	233	1.92
1001 - 2000	106	0.87
2001 - 3000	32	0.26
3001 - 4000	23	0.18
4001 - 5000	6	0.04
5001 - 10000	9	0.07
10001 AND ABOVE	35	0.28
TOTAL	12,122	100.00

(x) Categories of Equity Shareholders as on 31.03.2002

Category	No. of fully paid up shares held	% shareholding
Promoters, Associates, Directors and relatives	16,36,379	50.32
Financial Institutions/Banks	34,012	1.04
Foreign Institutional Investors/overseas Corporate Bodies/Non-Resident Indians	5,864	0.18
Mutual Funds	2,453	0.08
Bodies Corporate	1,19,163	3.66
Clearing Members	2,710	0.08
General Public	14,51,338	44.64
TOTAL	32,51,919	100.00

(xi) Dematerialisation of Equity Shares and liquidity:

As on 31.03.2002 of the total equity Shares, 26.98% were held in dematerialised form and the balance 73.02 % shares in physical form.

The Company has not issued any GDRs/ADRs/Warrants or any convertible instruments which are pending for conversion.

(xii) Plant Locations:

The Company's plants are located at Sonapat, Sahibabad, Malanpur, Gurgaon and Rasoi.

(xiii) Address for Correspondence:

The Company's registered office is situated in Industrial Area, Sonapat-131001.

Correspondence by the shareholders/debentureholders should be addressed to the registered office.

Securityholders holding shares in electronic mode should address all their correspondence to their respective Depository Participant.

CERTIFICATE FROM AUDITORS REGARDING COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

TO THE MEMBERS OF ATLAS CYCLES (HARYANA) LIMITED.

We have examined the compliance of conditions of Corporate Governance by Atlas Cycles (Haryana) Limited for the year ended March 31, 2002, as stipulated in Clause 49 of the listing agreement(s) of the said Company with the stock exchange(s).

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof adopted by the Company for ensuring the compliance of the conditions of 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 above mentioned Listing Agreement(s).

We state that in respect of investor grievances received during the year ended March 31, 2002, no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Company.

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

for Mehra Khanna & Co.
Chartered Accountants

Anand M. Mehra,
FCA (Eng. & Wales), (India),
Partner.

Place: Delhi
Date : 29th August, 2002



MANAGEMENT DISCUSSION & ANALYSIS

1. INDUSTRY STRUCTURE & DEVELOPMENTS

The bicycle industry in India came into being way back in 1938 when the first bicycle unit was set up in Calcutta. Subsequently several other units came up, which were fairly large, integrated and were started with foreign collaboration. It was in this background that Atlas Cycle Industries Ltd., (now known as Atlas Cycles (Haryana) Ltd.) was incorporated in May, 1950. It set up its bicycle unit at Sonapat in 1951 without any foreign collaboration.

There has been a steady growth in production and sale of bicycles in the country. However, basic structure of the industry has not changed. The units which are manufacturing and marketing bicycles have become larger and fewer. Four such units today account for almost 92% of the country's bicycle production.

In 2001, around 14 million bicycles were produced in the country. The Company's market share is around 22 per cent.

2. OPPORTUNITY & THREATS

After the withdrawal of quantitative restriction on imports, India has since become a completely competitive market, and in terms of 'WTO Regulations', the whole world is one global market. The bicycle markets around the world have found a rapid increase in imports from Asian countries, mainly from China and Taiwan and Indian markets are no exception. In that scenario, an opportunity has been thrown open to the Company to improve the domestic as well as international competitiveness to stay as a major player by brand building, innovation, upgrading technology, cost reduction, injecting professionalism and also by effective corporate governance. The Company is very much conscious of the irrefutable fact that in the new competitive world, only those companies who perform exceptionally would survive and grow. This is precisely what the company is striving for to stay competitive in national and international markets.

3. PRODUCT WISE PERFORMANCE

With innovation becoming crucial, new premium bicycle models are introduced in the market by the Company and models so introduced over a period are Supreme, Marvel, Thunder, Flame, Stunner, Buddy, Mischief, Royal Deluxe, Macho, Monalisa, Smart, Freedom, Ballerina, Zoomer, Flash, Cricket and more new wave bicycle models are in the pipe-line. The Company can now boast of large range of 'new wave bicycle' for the customers to choose from. The endeavour of the Company is now focussed on brand equity with a distinct personality. The models are well received by the customers and the feedback the Company is getting is highly encouraging.

4. OUTLOOK

The Indian bicycle market with annual sale of over 14 million bicycles can be broadly divided into two segments: "Standard" and "Fancy". The Standard segment constitutes approx. 80 % of the total market. The fancy range

are speciality bikes and can be further classified as MTBs, BMX, SLR and Children bicycles.

While the standard segments is almost stagnant with the rate of growth of approx. 2 to 3 % per annum, the fancy segment is growing as fast as 20 to 25 % per year.

5. RISKS AND CONCERNS

The Company is facing an evergrowing menace of inflation. The all-round increase in the costs of inputs has necessitated the periodical upward revision of rates, much to the dismay of dealers and customers. Moreover, it is apprehended that Company's bottom line will significantly be affected due to the drought conditions prevailing in the country due to the failure of monsoon, as most of the consumers are predominantly semi-urban and rural while the drought has a significant impact on their purchasing power.

6. INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

The Company has an independent and full-fledged Internal Audit Department since inception.

The Internal Audit Department exercises the regular checks in all departments and in all units of the Company. It assesses the adequacy of internal controls, monitors the compliance of significant policies affecting the accounting standards and financial results under MIS system. The Internal Audit Department submits its reports and recommendations pertaining to the above matters, to the Management of the Company.

The Company has adequate systems of internal control to provide reasonable assurance that assets are safeguarded and protected against loss from unauthorised use or disposition and that transactions are authorised, recorded and reported properly.

7. FINANCIAL PERFORMANCE

The turn-over for the year declined from Rs. 375.77 crores to Rs. 348.51 crores. Other income increased from Rs. 3.40 crores to 10.79 crores. The decline in turn-over was mainly due to lower production at Malanpur Unit during a part of the year. Profit after tax, however, was higher at Rs. 7.53 crores compared to Rs. 7.34 crores in the previous year and earning per share increased to Rs. 23.14.

8. HUMAN RESOURCES & INDUSTRIAL RELATIONS

The Company has a Human Resources Department which provides training to all levels of employees. It endeavours to upgrade knowledge, attitude, skill and behavior of the employees.

Cordial industrial relations are maintained at all the plants. The grievance redressal procedure is updated from time to time. The labour welfare activities and programmes organised by the Company as an on-going process have also played an important role in attaining ideal and undisturbed industrial relations in the Company. The Company has a man power strength of approximately 3800 employees.



AUDITOR'S REPORT

TO THE MEMBERS OF ATLAS CYCLES (HARYANA) LIMITED

1. We have audited the attached balance sheet of **Atlas Cycles (Haryana) Limited**, as at March 31, 2002 and also relative Profit & Loss Account for the year ended on that date, both of 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 financial statements based on our audit.
2. 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 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the annexure referred to in paragraph 1 above :
 - 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 account as required by law have been kept by the Company, so far as appears from our examination of the books.
 - c) The balance sheet and profit and loss account dealt with by this report are in agreement with the books of account.
 - d) In our opinion, the profit and loss account and balance sheet comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
 - e) On the basis of the written representations received, from the directors as on 31st March, 2002 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2002 from being appointed as a director in terms of clause (g) of sub section (1) of Section 274 of the Companies Act, 1956.
 - f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the notes to the accounts thereon and in particular Note No. Fourteen and subject to this note give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view.
 - i) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2002 and
 - ii) in the case of the profit and loss account, of the profit for the year ended on that date;

Place: Delhi

Date : 29th August, 2002

for Mehra Khanna & Co.
Chartered Accountants

Anand Mehra,
FCA (Eng. & Wales), (India),
Partner.

ANNEXURE TO THE AUDITOR'S REPORT

Annexure referred to in paragraph 1 of the Auditor's Report to the members of Atlas Cycles (Haryana) Limited on the Accounts for the year ended March 31, 2002.

1. The Company has generally maintained proper records showing all particulars including quantitative details and situation of fixed assets. The company has physically verified assets at certain locations during the year. No material discrepancies were noticed on such verification.
2. None of the fixed assets has been revalued during the year.
3. The stocks of finished goods, stores, spare parts and raw materials have been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.
4. In our opinion and according to the information and explanations given to us, the procedure of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
5. The discrepancies noticed on verification between the physical stocks and the book records were not significant and the same have been properly dealt with in the books of account.
6. On the basis of our examination of stock records, we are of the opinion that

the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the previous years.

7. The Company has not taken any loans from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956, or from companies under the same management within the meaning of section 370 (1-B) of the Companies Act, 1956.
8. The Company has not granted any loans to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956, or from companies under the same management within the meaning of section 370 (1-B) of the Companies Act, 1956, where the rate of interest and other terms and conditions are prima facie prejudicial to the interest of the Company except interest free loans to subsidiary companies.
9. The parties to whom loans or advances, in the nature of loans have been given by the company are, where stipulations have been made, repaying the principal amounts and interest, where applicable, as stipulated.
10. In our opinion and according to the informations 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 stores, raw materials including components, plant and machinery, equipment and other assets, and with regard to sale of goods.
11. In our opinion and according to the informations and explanations given to us, the transactions of purchase of goods and materials and sale of goods, materials and services, made in pursuance of contracts or arrangements entered in the register maintained under section 301 and aggregating during the year to Rs.50000/- or more in respect of each party have been made at prices which are reasonable having regard to prevailing market prices for such goods, materials or services or the prices at which transactions for similar goods, materials or services have been made with other parties.
12. As explained to us the Company has a regular procedure for the determination of unserviceable or damaged stores, raw materials and finished goods. Adequate provision has been made in accounts for the loss arising on the items so determined.
13. The company has complied with the directions issued by the Reserve Bank of India and the provisions of Section 58A of the Companies Act, 1956 and the rules framed hereunder with regard to deposits accepted from the public.
14. As explained to us, having regard to the nature and size of operation of the Company, reasonable records have been maintained by the Company for the sale and disposal of realisable scrap. The Company's operations do not generate any by-products.
15. The internal audit of the company is commensurate with the size and nature of its business.
16. According to the information given to us maintenance of cost records has been prescribed by the Central Government under section 209 (1)(d) of the Companies Act, 1956 in respect of the Company's business.
17. According to the records of the Company, provident fund and Employee's State Insurance (ESI) dues have been regularly deposited during the year with the appropriate authorities.
18. According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax and customs duty were outstanding, as at March 31, 2002 for a period of more than six months from the date they became payable.
19. According to the information and explanations given to us, no personal expenses of employees or directors have been charged to revenue account other than those payable under contractual obligations or in accordance with generally accepted business practice.
20. The Company is not a sick Industrial company within the meaning of clause (o) of sub-section 1 of section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
21. In respect of services rendered :
 - a) In our opinion, The Company has a reasonable system of recording receipts, issues and consumption of materials and stores and allocating materials and store consumed and man-hours utilised to the relative jobs, commensurate with its size and nature of its business.
 - b) In our opinion, there is a reasonable system of authorisation at proper levels with necessary controls on the issue of stores and allocation of stores and labour to various jobs and the related system of internal control of the Company is commensurate with the size of the Company and the nature of its business.
22. In respect of trading activities :

Damaged goods have been determined at the time of physical verification and consequential adjustments, which were not significant, have been made in accounts.

Place: Delhi

Date : 29th August, 2002

for Mehra Khanna & Co.
Chartered Accountants

Anand M. Mehra,
FCA (Eng. & Wales), (India),
Partner.



ATLAS CYCLES (HARYANA) LIMITED
BALANCE SHEET AS AT 31-3-2002

	Schedules	2002	2001
		Rs.	Rs.
SOURCES OF FUNDS			
Shareholders Funds :			
Issued Share capital	1	3,25,19,190	3,25,19,190
Reserves & Surplus	2	62,66,99,632	59,15,72,893
		65,92,18,822	62,40,92,083
Loan Funds :	3		
Secured Loans		44,70,00,964	41,04,18,746
Unsecured loans		4,86,82,000	5,27,79,100
		49,56,82,964	46,31,97,846
		1,15,49,01,786	1,08,72,89,929
APPLICATION OF FUNDS :			
Fixed Assets	4	31,44,79,678	32,32,67,463
Investments	5	25,86,960	33,86,960
Current assets, loans and advances	6	1,57,82,19,445	1,29,59,45,218
Less Current liabilities and provisions	7	71,48,84,297	53,53,09,712
Net Current Assets		86,33,35,148	76,06,35,506
Less Deferred Tax Liability		(2,55,00,000)	—
		1,15,49,01,786	1,08,72,89,929
Notes to the accounts	10		

T.A.VISWANATHAN COMPANY SECRETARY	M.M.MEHRA C.G.M.(FINANCE)	VIKRAM KAPUR ADDL.JOINT PRESIDENT (FINANCE)	JAGDISH KAPUR JOINT PRESIDENT	JAI DEV KAPUR JOINT PRESIDENT
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The schedules referred to above form an integral part of the Accounts.
This is the Balance Sheet referred to in our report of even date.

for MEHRA KHANNA & CO
CHARTERED ACCOUNTANTS

ANAND M. MEHRA
FCA (ENG & WALES), INDIA
PARTNER

Delhi: the 29th August, 2002

HARI KRISHAN AHUJA
HIRA LAL BHATIA
I.D.CHUGH
PRITHVI RAJ CHAWLA
JAI NARAIN SAWHNEY
S.N.SETH

DIRECTORS

New Delhi: the 29th August, 2002