

## ANNUAL REPORT 2003 - 2004

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ATLAS CYCLES

# **ATLAS CYCLES**

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ATLAS CYCLES

**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

**BANKERS :**

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

**REGISTERED OFFICE :**

Atlas Road  
 Industrial Area  
 Sonapat-131001  
 (Haryana)

**AUDITORS:**

Messrs Mehra Khanna & Co.  
 Chartered Accountants,  
 Delhi

**NOTICE****TO THE SHAREHOLDERS**

Notice is hereby given that the Fifty third Annual General Meeting of Atlas Cycles (Haryana) Limited, Sonapat will be held at the Registered Office of the Company in the Industrial Area, Sonapat on Friday the 31<sup>st</sup> December, 2004 at 3.00 P.M.(I.S.T.) to transact the following business :-

1. To receive, consider and adopt the Directors Report and the audited Balance Sheet as at 31<sup>st</sup> March, 2004 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 Hira Lal Bhatia who retires by rotation. Being eligible, he offers himself for reappointment.
4. To appoint a director in place of Shri Hari Krishan Ahuja 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 from 25.12.2004 to 31.12.2004 both days inclusive. Duly completed and valid applications for transfer of shares received in order at the Registered Office of the Company before 25.12.2004 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 25.12.2004.
3. The dividend when declared will be made payable at the Company's bankers. The dividend warrants will be posted on or before 30.01.2005 to the registered addresses of the shareholders or their mandates whose names stand in the register of members on 31.12.2004.
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 31<sup>st</sup> 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 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 31.03.1998 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.
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.



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9. Shareholders who wish to obtain payment of dividend through ECS may please send ECS forms duly filled in. These forms will be sent by the Company on request from the shareholders. Shareholders, who have already availed this facility last year may send us ECS form in case of any change in the particulars furnished earlier.
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 31.12.2004. Any member interested in obtaining a copy of the annexure relating to section 217 (2A) may write to the Company Secretary at the registered office of the Company and the same will be sent by post.
11. In terms of Section 109A of the Companies Act, 1956, the Shareholder(s) of the Company may nominate a person on whom the shares held by him/them shall vest in the event of his/their death. Shareholder(s) desirous of availing this facility may submit nomination in Form 2B.
12. At the ensuing Annual General Meeting Shri Hira Lal Bhatia and Shri Hari Krishan Ahuja retire by rotation and being eligible offer themselves for reappointment.

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

- a) Shri Hira Lal Bhatia, aged 61 years, has been a Director of the Company since 31.07.1979. He is a graduate and has been in business for about forty years. At present he is a director in the

following Companies :-

- i) Atlas Cycles (Sonapat) Limited, Sonapat
- ii) Atlas Cycles (Sahibabad) Limited, Sonapat
- iii) Atlas Cycles (Malanpur) Limited, Sonapat

He is a member of the Audit Committee of the Board.

- b) Shri Hari Krishan Ahuja, aged 80 years, has been a Director of the Company since 06.08.1990. He is a commerce graduate. He has been in business for over fifty years. At present he is a director in the following companies :-

- i) Atlas Cycles (Sonapat) Limited, Sonapat
- ii) Atlas Cycles (Sahibabad) Limited, Sonapat
- iii) Atlas Cycles (Malanpur) Limited, Sonapat
- iv) Kay Bee Industries (India) Pvt. Ltd., New Delhi
- v) Vishrut Marketing Pvt. Ltd., New Delhi

He is the Chairman of the Audit Committee of the Board

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

  
(T.A.VISWANATHAN)  
COMPANY SECRETARY

Sonapat : the 4<sup>th</sup> December, 2004



## ATLAS CYCLES

### DIRECTORS' REPORT TO THE MEMBERS:

Your directors have pleasure in submitting their Fifty Third Annual Report together with the audited accounts of the Company for the year ended 31<sup>st</sup> March, 2004.

#### FINANCIAL HIGHLIGHTS

	(Lac/Rs.)
OPERATING PROFITS	1044.20
LESS : INTEREST	404.51
DEPRECIATION	306.38
	<u>710.89</u>
	333.31
LESS : PROVISION FOR TAX : CURRENT	50.00
DEFERRED	(9)
	<u>292.31</u>
ADD : PROFIT BROUGHT FORWARD	<u>244.92</u>
	<u>537.23</u>

#### 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

24,43,031 bicycles (including exercisers) were produced during the period under consideration.

#### SALES

Sales during the year amounted to Rs. 38840 lacs including the sales to foreign countries.

#### EXPORTS

During the period under consideration your Company exported bicycles and bicycle components to around 19 countries, thereby earning valuable foreign exchange of Rs. 15.21 crores.

The Company made strenuous efforts throughout the year for exploring the possibility of obtaining orders from countries to which exports were not made earlier and has been successful in obtaining initial orders from the markets of Uganda, Ethiopia and Sudan

#### U.P. PROJECT

The Plant has registered a substantial growth during the year. New Models were introduced to cater to the requirement of different segments of the Market. Increasing business volume and the product exceeding the customers' expectations being the focus, the plant is poised to perform well in the coming years.

#### TUBE MILL

The Tube Mill has been awarded ISO 9001:2000 certification for maintaining high standards of product, quality and customer satisfaction. It has continued to register steady growth inspite of steep increase in steel prices during the year. The general situation has been adversely affected due to frequent increase of prices of basic raw material which resulted in frequent changes in prices of every product. However, the unit has been able to overcome this disadvantage and has shown 12% growth over last year.

#### MALANPUR UNIT

The Unit has achieved higher growth in terms of performance as well as quality. The Unit has introduced new models Velocity, Centre-Shock, Chunmun, Simba, Crazy toons, Explorer and also made several improvements in the existing models. This Unit has shown 22% growth over last year.

#### CAPITAL EXPENDITURE

During the year, the Company acquired capital assets worth Rs. 1056.15 lacs as against Rs. 308.12 lacs in the previous year. This includes capital assets worth Rs. 9.57 lacs under construction/installation as against Rs. 14.51 lacs in the previous year.

#### DEPOSITS (INCLUDING LOANS FROM MEMBERS)

- Total number of depositors on 31.03.2004 who have not claimed their deposits after the date on which their deposits became due for payment - 87.
- The aggregate amount of deposits due to the depositors on 31.03.2004 who have not claimed their deposits, including interest accrued, if any, after the dates on which their deposits became due for payment - Rs. 15.26 lacs.

Deposits aggregating Rs. 3.44 lacs pertaining to 39 depositors have since either been renewed or paid. Further 2 unclaimed deposits aggregating to Rs. 0.21 lacs have since been credited to Investors Education and Protection Fund. The remaining depositors whose deposits, including interest, amount to Rs. 11.61 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

a) Following Energy conservation measures have been taken:-

- Utilization of Steam Condensate which was otherwise going down in the drain. This has resulted in a saving of Rs.2,62,000 annually.
- Replacement of 5 H.P. Polishing Spindles by 3 H.P. Polishing Spindles. 4 such Spindles have been replaced resulting in saving of 3500 units of electrical energy per year.
- Oversize pumps in Cooling Tower have been replaced from 7.5 H.P. to 3 H.P. 2 such pumps were replaced resulting in saving of Rs. 70,000 per annum.
- Replacement of E+ Retrofit Tubes in Administration offices resulting in a saving of 8500 units per annum.
- Replacement of 15 H.P. circulating pump with 3 HP circulating Pump in Oil Ring Main, feeding fuel to Boiler which was made possible by reducing the length of the pipe line to Boiler. It has resulted in a saving of approx. 20,000 units per year and amounting approx. Rs.94,000.
- A regular maintenance schedule has been prepared for all energy consuming equipment.
- Energy audit was conducted in Sahibabad unit with a view to rationalise the load factor. Fluorescent tubes with electronic ballast were installed which consume 50% power as compared to the standard tubes.

b) Additional investment is being made to change electric furnace to oil fired furnace.

#### TECHNOLOGY ABSORPTION

##### 1. Specific areas in which R & D carried out by the Company :-

During the year under review, we worked mainly on design and development of new models of bicycles & up-grading/revamping of existing models and on improvement of manufacturing processes.

##### 2. Benefits derived as a result of the above R & D :-

Several new & upgraded models were introduced in the market during the year.

##### 3. Future Plan of action :-

- Development of new models and revamping of existing models.
- Development of manufacturing processes which would permit easy change over from one model to another for production.
- Duplication of existing toolings for fancy bicycles for catering to increased market demand for fancy bicycles.

##### 4. Expenditure on R & D :-

(a) Capital	Rs. 10 lacs
(b) Recurring	Rs. 37.68 lacs
(c) Total	Rs. 47.68 lacs
Total R & D expenditure as a % of total turnover	0.12

#### Technology absorption, adaptation and innovation :-

##### 1. Efforts, in brief, made towards technology absorption, adaptation and innovation :-

The new process for machining of tubings prior to welding of fancy frames is under development which would subsequently be transferred to production.

Similarly new arrangement for welding of frames is also being developed by R & D which will be of universal type.

##### 2. Benefits derived as a result of the above efforts :-

The new processes which are under development will help speed up in-house production of new models and also reduce expenditure on new toolings.

#### FOREIGN EXCHANGE EARNING AND OUTGO

Total foreign exchange earned : Rs.1521 lacs

Total foreign exchange used : Rs. 126 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 2004-2005 has been paid to all the three stock exchanges.

#### 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 requirement 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 31<sup>st</sup> March, 2004 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.

#### 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

Shri S.N. Seth, a director of the Company, since June, 1969 passed away on 3<sup>rd</sup> January, 2004. The directors wish to place on record their deep appreciation of the valuable services rendered by him.

S/Shri Hira Lal Bhatia and Hari Krishan Ahuja 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 the continued support, assistance and encouragement accorded to the Company.

HARI KRISHAN AHUJA  
HIRA LAL BHATIA  
ISHWAR DAS CHUGH  
JAI NARAIN SAWHNEY  
PRITHVI RAJ CHAWLA

} DIRECTORS

New Delhi, the 4<sup>th</sup> December, 2004.



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## CORPORATE GOVERNANCE REPORT 2003-2004

### A) Company's philosophy

The Company believes in the principle of corporate governance and endeavours its best to maintain transparency and professionalism with fairness and integrity to enhance the interest of all its stakeholders.

### B) Board of Directors

As at 31.03.2004, the Board of Directors comprises of four Non-Executive Directors and one Whole Time Director.

During the year thirteen Board Meetings were held on 29.04.2003, 28.05.2003, 04.07.2003, 30.07.2003, 31.08.2003, 12.09.2003, 30.09.2003, 29.10.2003, 24.11.2003, 27.12.2003, 30.01.2004, 27.02.2004 and 29.03.2004.

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 31.03.2004 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	13	30.09.2003	3	-	1
Shri Hira Lal Bhatia	I-NED	13	30.09.2003	3	1	-
Shri I.D. Chugh	WTD	13	30.09.2003	4	1	-
Shri Jai Narain Sawhney	I-NED	13	30.09.2003	3	-	1
Shri Prithvi Raj Chawla	I-NED	13	30.09.2003	3	1	-
Shri S.N. Seth (upto 03.01.2004)	I-NED	9	30.09.2003	-	-	-

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 1:4.

### C. AUDIT COMMITTEE :

The terms of reference of this Committee are in line with the norms specified under the Listing Agreement with the Stock Exchanges. The Committee comprises of three Independent-Non-Executive Directors, with Shri Hari Krishan Ahuja as Chairman. Meetings of the Committee were held during the year on 29.04.2003, 30.07.2003, 29.10.2003 and 30.01.2004. The attendance of each member of the Committee is given below :-

Name of Director	No. of Meetings Attended
Shri Hira Lal Bhatia	4
Shri Hari Krishan Ahuja	4
Shri Prithvi Raj Chawla	4

### 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.



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### 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 while renewing his appointment for five years from 31.03.2003; shareholders' approval was obtained at the last Annual General Meeting.

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

Details of remuneration paid during 2003-2004.

#### A. Whole Time Director

Name	:	Shri I.D. Chugh
Salary & Perquisites	:	Rs. 6,43,057
Provident Fund	:	Rs. 42,021
Commission	:	Rs. 2,06,640
Total	:	Rs. 8,91,718

#### B. Non-Executive Directors

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

Name of Director	Sitting Fee	Out of Pocket expenses	Total
	Rs.	Rs.	Rs.
Shri Hari Krishan Ahuja	34,000	8,500	42,500
Shri Hira Lal Bhatia	34,000	8,500	42,500
Shri Jai Narain Sawhney	34,000	8,500	42,500
Shri Prithvi Raj Chawla	34,000	8,500	42,500
Shri S.N. Seth (upto 03.01.2004)	24,000	6,000	30,000

### 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 one Independent Non-Executive Director and one whole-time director. Shri J.N. Sawhney is the Chairman of the Committee. Shri T.A. Viswanathan, Company Secretary is the compliance officer. Meetings of the Committee were held during the year on 29.04.2003, 30.07.2003, 29.10.2003 and 30.01.2004. The attendance of each member of the Committee is given below :-

Name of the Directors	No. of meetings Attended
Shri J. N. Sawhney	4
Shri I.D. Chugh	4
Shri S.N. Seth (upto 03.01.2004)	3

### 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 31.03.2004, no cases of transfer were pending.

During the year 81 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
2002-2003	30.09.2003	4.00 PM	Industrial Area, Sonapat
2001-2002	30.09.2002	4.00 PM	Industrial Area, Sonapat
2000-2001	31.12.2001	4.00 PM	Industrial Area, Sonapat

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

### H) Disclosures :

- Related party transactions as per AS-18 have been dealt with in Schedule 10 (Notes to the accounts). However, these transactions are not in conflict with the interest of the Company.
- 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 :

- Quarterly results are usually published in one English newspaper, viz., Financial Express and one Hindi newspaper, viz., Dainik Tribune.
- Management Discussion & Analysis Report is enclosed.

### J) General Shareholders Information :

- Next Annual General Meeting is proposed to be held on 31.12.2004 at Company's Registered Office in Industrial Area, Sonapat.
- Financial Calender
 

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
Fourth Quarter results	Last week of April
- Date of book closure : 25.12.2004 to 31.12.2004
- 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.
- 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).





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## (vi) Equity Share Price data for the year 2003-2004

Month	Equity Share Price on NSE and BSE			
	Share Price on NSE		Share Price on BSE	
	HIGH Rs.	LOW Rs.	HIGH Rs.	LOW Rs.
2003 April	70.00	61.55	68.70	63.85
May	86.40	64.15	86.20	61.10
June	76.70	68.75	76.50	69.00
July	88.80	67.55	89.00	69.70
August	87.75	75.50	85.80	73.40
September	84.90	70.00	83.50	70.45
October	77.50	68.20	75.45	69.10
November	80.00	68.40	77.85	69.35
December	119.00	76.60	109.25	77.30
2004 January	107.90	74.05	107.00	73.00
February	89.90	66.25	98.95	75.15
March	83.00	71.10	84.50	71.85

(vii) Registrar and Share Transfer Agent : With effect from 01.02.2003 M/s Mas Services Private Limited were appointed as the registrar and share transfer agent of the Company both in physical and electronic mode.

(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 31.03.2004.

No. of Shares				
(Range)	Number of shareholders	% to total	No. of shares held	% to total
UPTO-500	9944	95.38	839395	25.81
501-1000	236	2.26	177878	5.47
1001-2000	116	1.11	161662	4.97
2001-3000	35	0.34	85282	2.62
3001-4000	24	0.23	84641	2.60
4001-5000	12	0.12	54154	1.67
5001-10000	18	0.17	126942	3.90
10001 and Above	41	0.39	1721965	52.96
Total	10426	100	3251919	100

## (x) Categories of Equity Shareholders as on 31.03.2004.

Category	No. of fully paid up shares held	% shareholding
Promoters, Associates, Directors and relatives	1636437	50.33
Financial Institutions/Banks	8221	0.26
Foreign Institutional Investors/ overseas Corporate Bodies/ Non-Resident Indians	4302	0.13
Mutual Funds	1153	0.04
Bodies Corporate	182093	5.59
Clearing Members	300	0.01
General Public	1419413	43.64
Total	3251919	100.00

## (xi) Dematerialisation of Equity Shares and liquidity :

As on 31.03.2004 of the total equity shares, 34.52% were held in dematerialised form and the balance 65.48% 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.

Security holders 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, 2004, 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 statement 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, 2004, 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 : 4th December, 2004


**ATLAS CYCLES**

## MANAGEMENT DISCUSSION & ANALYSIS

### 1. INDUSTRY STRUCTURE AND DEVELOPMENT

The bicycle industry in India is over sixty years old. The first manufacturing unit was set up in Bombay. Later a number of other units came up in different parts of the country.

Although both demand and production of bicycle has been increasing every year the basic structure of the industry has not changed. For over two decades, bicycle industry has been dominated by four manufacturing units which account for almost 90% of the total bicycle production in the country.

Today the industry is almost entirely self-sufficient, with more than 95% of bicycle components supplied from domestic sources. Most of its raw materials such as steel tubes are also available from within the country.

It concentrates on producing a simple cheap and rather old-fashioned roadster model to satisfy the basic transportation needs of the less affluent segment of the population at highly competitive price.

It has made minimal use of foreign technology, creating or adapting most of the technology it uses and employing labour-intensive production techniques.

### 2. OPPORTUNITY AND THREATS

Due to globalisation the industry has to improve both domestic and international competitiveness not only to sustain itself but also to grow in times to come. This has become essential since Indian market is now open to all the players including those from China and Taiwan who export bicycles to our country. There is an enormous potential to operate in a global market, although challenges of quality, cost, delivery, etc., are equally high.

The industry is aware of the emerging global challenges and is in the process of leveraging and upgrading itself by undertaking value addition and instituting cost cutting measures.

The Company is striving to stay competitive in both domestic and international markets.

### 3. PRODUCT WISE PERFORMANCE

With a view to stay ahead of competition, the Company relentlessly continued introduction of several new and innovative models.

The Company offers a large range of new wave bicycles for the customers at very competitive prices. The newly introduced models have been very well accepted in the market.

### 4. OUT-LOOK

Bicycle industry is getting more and more competitive. A big surge in steel prices during last few months has affected the bottom line of the industry adversely. A simultaneous reduction in import duty has opened up possibilities of foreign bicycles landing here from China & Taiwan. To stay competitive, the Company is trying

to resort to introducing low cost bicycles by innovative means, improving efficiency and cutting cost.

There is a definite shift of demand from roadsters to the fancy segment which is growing.

Bicycle being the cheapest mode of transport good for health and environment friendly, the potential for the growth of the industry continues to be good.

### 5. RISK AND CONCERNS

With the overall pick-up in the economy, the industry as a whole is showing an upward trend. However, the cost of production has been growing up due to rise in cost of inputs and this has resulted in periodic upward revision of prices. The Indian share in the global bicycle business is around one percent, this too is in the low cost and low quality products. For producing higher end bicycle for global and domestic market, there is need for overall improvement in vendor base as well as in the basic infrastructure.

### 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 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 unauthorized use or disposition and that transactions are authorised, recorded and reported properly.

### 7. FINANCIAL PERFORMANCE

The turnover for the year increased from Rs.324.17 crores to Rs. 388.40 crores. Other income decreased from Rs. 3.80 crores to Rs. 3.67 crores. Profit after tax decreased from Rs. 5.23 crores in the previous year to Rs. 2.92 crores in the year under report and earning per share declined to Rs. 8.99.

### 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 behaviour 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 organized by the Company as an ongoing 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 3000 employees.





## ATLAS CYCLES

### 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<sup>st</sup> 2004 and also the profit and loss account of the Company 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.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India 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 3 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 accounts as required by law have been kept by the company so far as appears from our examination of those books;
  - c) the balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of accounts;
  - d) in our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the mandatory accounting standards referred to in sub section (3C) of section 211 of the Companies Act, 1956;
  - e) on the basis of written presentations received from the directors, and taken on record by the board of directors is disqualified as on 31<sup>st</sup> march, 2004 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 explanation given to us, the accounts give the information required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - i) in the case of the balance sheet, of the state of affairs of the company as at march 31, 2004;
    - ii) in the case of the profit and loss account, of the profit of the company for the year ended on that date; and
    - iii) in the case of the cash flow statement, of the cash flows for the year ended on that date.

For Mehra Khanna & Co.  
Chartered Accountants  
Anand M. Mehra,  
FCA (Eng. & Wales), (India),  
Partner,

Place : Delhi  
Date : 4th December, 2004

#### ANNEXURE TO THE AUDITOR'S REPORT

Annexure referred to in paragraph 3 of Auditor's Report to the Members of ATLAS CYCLES (HARYANA) LIMITED on the accounts for the year ended March 31<sup>st</sup>, 2004.

- (i) (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The management has carried out a physical verification of most of its fixed assets during the year. In our opinion, the frequency of verification is reasonable having regard to the size of the Company and the nature of its fixed assets. The discrepancies noticed on such verification were not material and have been properly dealt with in the books of account.
- (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the year.
- (ii) (a) During the year, the inventories have been physically verified by the management except for inventory lying with third parties which have been confirmed by the parties. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion and according to the information and explanations given to us, the procedures 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.
- (c) On the basis of our examination of the record of inventories, we are of the opinion that, the Company is maintaining proper records of inventories. The discrepancies noticed on physical verification of inventories as compared to book records were not material and have been properly dealt with in the books of account.
- (iii) According to the information and explanations given to us, the company has neither granted nor taken any loans, secured or unsecured to / from companies, firms or other parties covered in the register maintained under section 301 of the companies Act, 1956. Accordingly, paragraphs 4 (iii)(b), (c) and (d) of the order are not applicable.
- (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 the purchase of inventories and fixed assets and with regard to sale of goods. Further, on the basis of our examination and according

to the information and explanations given to us, we have neither come across nor have been informed of any instance of major weaknesses in the aforesaid internal control procedures.

- (v) According to the information and explanations given to us, during the year, there was a transaction that needed to be entered into the register maintained under section 301 of the Companies Act, 1956 which was duly entered. Accordingly paragraph (v) and (b) of the order are not applicable since transaction is less than amount stipulated in that paragraph.
  - (a) company has entered transaction which need to be entered into the register maintained under section 301 of the companies act, 1956.
  - (b) since value of transaction is less than Rs.5,00,000 so paragraph (v) (b) of the order is not applicable.
- (vi) In our opinion and according to the information and explanations given to us, the company has complied with the provision of section 58A and section 58AA of the companies Act, 1956 and the companies (Acceptance of Deposits) rules, 1975, with regard to the deposits accepted from the public. As per information and explanation given to us, no order under the aforesaid section has been passed by the company law board on the company.
- (vii) In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the company in respect of products where, pursuant to the rule made by the central government the maintenance of cost records has been prescribed under section 209(1) (d) of the companies Act, 1956 and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We have not however, made a determining whether they are accurate or complete.
- (ix) (a) According to the information and explanations given to us and the records of the company examined by us, the company has been regular in depositing undisputed statutory dues including provident fund, investor education protection fund, employees state insurance, income-tax, sale-tax, wealth-tax, customs duty, excise duty, cess and other material statutory dues applicable to it. We are informed that there are no undisputed statutory dues as at the year end outstanding for a period of more than six months from the date they become payable.
  - (b) According to the information and explanations given to us and the records of the company examined by us, there are no disputed dues of wealth-tax, customs duty and cess matters. The details of disputed sale-tax, excise duty and income-tax dues are as follows:

Nature of the statute	Nature of the dues	Forum where pending	Amount	Period to which the amount relates
Central excise law	excise duty	commissioner (appeals)	4.01	1997-98
Sales tax laws	sales tax	commissioner (appeals)	6.29	1998-99
Sales tax laws	entry tax	commissioner (appeals)	6.29	1999-2000
Income tax act	income tax	CIT (appeals)	8.99	A.Y.(1998-99)
Income tax act	income tax	CIT (appeals)	18.25	A.Y.(2001-02)

- (x) The company does not have accumulated losses at the end of the financial year march 31, 2004. Further, the company has not incurred any cash losses during the financial year ended march 31, 2004 and in the preceding financial year ended march 31, 2004.
- (xi) According to the records of the company examined by us and the information and explanations given to us, the company during the year has not defaulted in repayment of dues to financial institutions, banks or debenture holders.
- (xii) As the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities, paragraph 4 (xii) of the order is not applicable.
- (xiii) The provisions of any special statute as specified under paragraph 4 (xiii) of the Order are not applicable to the company.
- (xiv) As the company is not dealing or trading in shares, securities, debentures and other investments, paragraph 4 (xiv) of the order is not applicable.
- (xv) In our opinion and according to the information and explanations given to us the company has not given guarantees during the year for loans taken by others from banks or financial institutions.
- (xvi) In our opinion and according to the information and explanations given to us, the terms loans taken during the year have been applied for the purpose for which they were obtained.
- (xvii) According to the information and explanations given to us on an overall Examination of the balance sheet of the company, we report that short term Funds have not been used to finance long term investments and vice versa.
- (xviii) As the company has not been made any preferential allotment of shares during the year, paragraph 4 (xix) of the order not applicable.
- (xix) During the year, since the company has not issued any debentures paragraph, 4 (xix) of the order not applicable.
- (xx) During the year, since the company has not raised any money by way of public issue, paragraph 4 (xx) of the order is not applicable.
- (xxi) Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the company has been noticed or reported during the course of our audit for the year ended march 31, 2004.

For Mehra Khanna & Co.  
Chartered Accountants  
Anand M. Mehra,  
FCA (Eng. & Wales), (India),  
Partner,

Place : Delhi  
Date : 4th December, 2004



ATLAS CYCLES

## ATLAS CYCLES (HARYANA) LIMITED

## BALANCE SHEET AS AT 31-3-2004

	Schedules	2004	2003
		Rs.	Rs.
<b>SOURCES OF FUNDS</b>			
<b>Shareholders Funds :</b>			
Issued Share capital	1	3,25,19,190	3,25,19,190
Reserves & Surplus	2	67,51,50,618	66,24,65,401
		<b>70,76,69,808</b>	<b>69,49,84,591</b>
<b>Loan Funds :</b>			
Secured Loans	3	49,87,71,720	30,50,79,345
Unsecured Loans		6,21,24,000	4,83,27,414
		<b>56,08,95,720</b>	<b>35,34,06,759</b>
		<b>1,26,85,65,528</b>	<b>1,04,83,91,350</b>
<b>APPLICATION OF FUNDS</b>			
Fixed Assets	4	34,35,39,752	30,60,23,099
Investments	5	12,99,41,048	25,86,960
Current Assets, Loans and Advances	6	1,77,89,24,212	1,46,31,62,405
Less Current Liabilities and Provisions	7	96,29,39,484	70,15,81,114
Net Current Assets		<b>81,59,84,728</b>	<b>76,15,81,291</b>
Less Deferred Tax Liability		2,09,00,000	2,18,00,000
Notes to the accounts	10	<b>1,26,85,65,528</b>	<b>1,04,83,91,350</b>

T.A. VISWANATHAN  
COMPANY SECRETARYM.M. MEHRA  
C.G.M. (FINANCE)VIKRAM KAPUR  
PRESIDENTSALIL KAPUR  
PRESIDENTJAI DEV KAPUR  
PRESIDENT

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 AccountantsANAND M. MEHRA  
FCA (ENG & WALES), INDIAHARI KRISHAN AHUJA  
HIRA LAL BHATIA  
I.D. CHUGH  
PRITHVI RAJ CHAWLA  
JAI NARAIN SAWHNEY

} DIRECTORS

Delhi: the 4th December, 2004

New Delhi: the 4th December, 2004