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ATLAS CYCLES

ANNUAL REPORT 2004 - 2005



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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

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 fourth 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 30th September, 2005 at 4.00 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 31st March, 2005 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 Jai Narain Sawhney who retires by rotation. Being eligible, he offers himself for reappointment.
4. To appoint a director in place of Shri Prithvi Raj Chawla 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 23.09.2005 to 30.09.2005 both days inclusive. Duly completed and valid applications for transfer of shares received in order at the Registered Office of the Company before 23.09.2005 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 23.09.2005.
3. The dividend when declared will be made payable at the Company's bankers. The dividend warrants will be posted on or before 30.10.2005 to the registered addresses of the shareholders or their mandates whose names stand in the register of members on 30.09.2005.
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 31.03.1998 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 30.09.2005. 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 Jai Narain Sawhney and Shri Prithvi Raj Chawla retire by rotation and being eligible offer themselves for reappointment.

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

- a) Shri Jai Narain Sawhney, aged 92 years, has been a Director of the Company since 6.8.1990. He is a law graduate and has been

marketing consultant and agent 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

And Managing director in J.N. Sawhney & Co. Pvt. Ltd.

He is the Chairman of Shareholders/Investors Grievance Committee of the Board.

- b) Shri Prithvi Raj Chawla, aged 80 years, has been a Director of the Company since 06.08.1990. He is a graduate. He has been in export 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

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

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

(Signature)

(T.A.VISWANATHAN)
COMPANY SECRETARY

Sonapat : the 30th July, 2005

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DIRECTORS' REPORT TO THE MEMBERS:

Your directors have pleasure in submitting their Fifty Fourth Annual Report together with the audited accounts of the Company for the year ended 31st March, 2005.

FINANCIAL HIGHLIGHTS	(Lac/Rs.)
OPERATING PROFITS	1300.11
LESS : INTEREST	564.35
DEPRECIATION	379.26
	943.61
	356.50
LESS : PROVISION FOR TAX	130.00
	226.50
ADD : PROFIT BROUGHT FORWARD	221.77
	448.27

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

21 87,427 bicycles (including exercisers) were produced during the period under consideration.

SALES

Sales during the year amounted to Rs. 41,919 lacs including the sales to foreign countries.

EXPORTS

During the period under consideration your Company exported bicycles and bicycle components to around 29 countries, thereby earning valuable foreign exchange of Rs. 19.26 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 Malawi.

U.P. PROJECT

The Unit has registered a substantial growth during the year. It has been awarded ISO 9001-2000 certification for maintaining high standards of product quality and customer satisfaction. Product range was enlarged by introducing new models in fancy and kids segments. A new painting facility was added to cater to the growing demand of the fancy segment.

TUBE MILL

The Tube Mill has maintained continuous growth inspite of erratic increase in steel prices during the year. The Unit has been maintaining and continued to achieve higher standards of quality and customer satisfaction laid down in ISO 9001-2000 certification. This Unit has set standards of house keeping in the industry and has been recognized by the Govt. of Haryana by awarding prizes in the District Level competition.

MALANPUR UNIT

The Unit has been awarded ISO 9001-2000 certification for maintaining high standards of working systems, thereby achieving good quality of product and customer's satisfaction in the market. The Unit has continued to introduce numerous new models of bicycles besides making improvements in the existing models. Malanpur Unit has also signed up business collaboration with top and prestigious brand in cycle trade for International trading. It has also contributed towards the beautification of Gwalior city in collaboration with Govt. of Madhya Pradesh.

CAPITAL EXPENDITURE

During the year, the Company acquired capital assets worth Rs. 944.29 lacs as against Rs. 1,056.15 lacs in the previous year. This includes capital assets worth Rs. 446.11 lacs under construction/installation as against Rs. 9.57 lacs in the previous year.

DEPOSITS (INCLUDING LOANS FROM MEMBERS)

- Total number of depositors on 31.03.2005 who have not claimed their deposits after the date on which their deposits became due for payment -42.
- The aggregate amount of deposits due to the depositors on 31.03.2005 who have not claimed their deposits, including interest accrued, if any, after the dates on which their deposits became due for payment Rs. 5.79 lacs.

Deposits aggregating Rs. 0.22 lacs pertaining to 2 depositors have since either been renewed or paid. Further 3 unclaimed deposits aggregating to Rs. 0.37 lacs have since been credited to Investors Education and Protection Fund. The remaining depositors whose deposits, including interest, amount to Rs. 5.20 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

Following Energy conservation measures have been taken.

- Replacement of 3 H.P. Motor by 2 H.P. Motor in B.B. Shell Tapping machine.
- Blower Motor of 12.5 H.P. was replaced by 7.5 H.P. motor resulting in saving of Rs. 1,76,000 per annum.
- Residual losses on debrassing plant has been reduced by modifying fly bar and hanger thereby achieving energy saving of 2 to 3%.
- A regular maintenance schedule has been prepared for all energy consuming equipment.
- The power factor was improved to 0.98 in Sahibabad Unit.

TECHNOLOGY ABSORPTION

- 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 and up-grading/revamping of existing models and on improvement of manufacturing processes and quality and reduction of cost..

- Benefits derived as a result of the above R & D :-**

Several new and upgraded models were introduced in the market during the year. The cost reduction measures have helped in sustaining our market share despite adverse market condition.

- 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.

- Expenditure on R & D :-**

(a) Capital	Nil
(b) Recurring	Rs. 19.02 lacs
(c) Total	Rs. 19.02 lacs
Total R & D expenditure as a % of total turnover	0.045

Technology absorption, adaptation and innovation :-

- Efforts, in brief, made towards technology absorption, adaptation and innovation :-**

The new process for machining of tubings prior to welding of fancy frames has been developed and transferred to production.

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

Continuous efforts are being made towards adoption of new technology which has helped in improving the product design, cost reduction in model and developing of new products.

- Benefits derived as a result of the above efforts :-**

The new processes have helped speed up in-house production of new models and have contributed towards cost saving without affecting quality.

FOREIGN EXCHANGE EARNING AND OUTGO

Total foreign exchange earned : Rs.1926 lacs

Total foreign exchange used : Rs. 316.11 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 2005-2006 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 31st March, 2005 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. 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 Jai Narain Sawhney and Prithvi Raj Chawla 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
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New Delhi, the 30th July, 2005.


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CORPORATE GOVERNANCE REPORT 2004-2005

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 31.03.2005, the Board Directors comprises of four Non-Executive Directors and one Whole Time Director.

During the year thirteen Board Meetings were held on 29.04.2004, 31.05.2004, 28.06.2004, 29.07.2004, 30.08.2004, 27.09.2004, 30.10.2004, 01.12.2004, 04.12.2004, 31.12.2004, 31.01.2005, 28.02.2005 and 30.03.2005.

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 31.03.2005 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	12	31.12.2004	3	-	1
Shri Hira Lal Bhatia	I-NED	13	31.12.2004	3	1	-
Shri I.D. Chugh	WTD	13	31.12.2004	4	1	-
Shri Jai Narain Sawhney	I-NED	13	31.12.2004	3	-	1
Shri Prithvi Raj Chawla	I-NED	12	31.12.2004	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 1:4.

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 29.04.2004, 29.07.2004, 30.10.2004, 01.12.2004, 04.12.2004 and 31.01.2005. The attendance of each member of the Committee is given below :-

Name of Director	No. of Meetings Attended
Shri Hira Lal Bhatia	6
Shri Hari Krishan Ahuja	6
Shri Prithvi Raj Chawla	5

D. Remuneration Committee

This Committee is yet to be formed.

Remuneration Policy

A. Whole Time Director

- Salary and commission within the limits prescribed under the 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 Annual General Meeting on 30.09.2003.

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

Details of remuneration paid during 2004-2005.

A. Whole Time Director

Name	:	Shri I.D. Chugh
Salary & Perquisites	:	Rs. 7,40,009
Provident Fund	:	Rs. 49,419
Commission	:	Rs. 1,20,000
Total	:	Rs. 9,09,428

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	36,000	9,000	45,000
Shri Hira Lal Bhatia	38,000	9,500	47,500
Shri Jai Narain Sawhney	34,000	8,500	42,500
Shri Prithvi Raj Chawla	34,000	8,500	42,500

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 29.04.2004, 29.07.2004, 30.10.2004 and 31.01.2005.

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

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 31.03.2005, no cases of transfer were pending.

During the year 42 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
2003-2004	31.12.2004	3.00 PM	Industrial Area, Sonapat
2002-2003	30.09.2003	4.00 PM	Industrial Area, Sonapat
2001-2002	30.09.2002	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 30.9.2005 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 : 23.09.2005 to 30.09.2005
- 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 2004-2005

Month	Equity Share Price on NSE and BSE			
	Share Price on NSE		Share Price on BSE	
	HIGH Rs.	LOW Rs.	HIGH Rs.	LOW Rs.
2004 April	92.00	74.05	101.35	76.25
May	84.50	64.60	84.80	66.00
June	74.80	65.00	74.00	66.20
July	76.50	68.00	81.50	65.80
August	95.60	70.00	95.50	72.15
September	110.00	84.00	109.00	86.00
October	105.00	92.60	103.00	81.05
November	-	-	124.60	94.55
December	170.00	110.00	167.90	106.25
2005 January	137.30	110.55	137.10	112.00
February	149.90	120.00	149.70	112.00
March	148.00	110.00	146.00	112.70

(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 31.03.2005.

No. of Shares

(Range)	Number of shareholders	% to total	No. of shares held	% to total
UPTO-500	9310	94.97	7682710	23.63
501-1000	239	2.44	1798880	5.53
1001-2000	93	0.95	1328260	4.08
2001-3000	43	0.44	1046070	3.22
3001-4000	28	0.29	994500	3.06
4001-5000	16	0.16	768470	2.36
5001-10000	26	0.27	1858480	5.72
10001 and Above	48	0.48	17041820	52.40
Total	9803	100.00	32519190	100.00

(x) Categories of Equity Shareholders as on 31.03.2005.

Category	No. of fully paid up shares held	% shareholding
Promoters, Associates, Directors and relatives	1632340	50.2
Financial Institutions/Banks	7976	0.25
Foreign Institutional Investors/ overseas Corporate Bodies/ Non-Resident Indians	6323	0.19
Mutual Funds	1003	0.03
Bodies Corporate	266242	8.19
Clearing Members	1464	0.04
General Public	1336571	41.1
Total	3251919	100.00

(xi) Dematerialisation of Equity Shares and liquidity :

As on 31.03.2005 of the total equity shares, 36.62% were held in dematerialised form and the balance 63.38% 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.

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

} DIRECTORS

New Delhi, the 30th July, 2005.

CERTIFICATE FROM AUDITORS REGARDING COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE TO THE MEMBERS OF ATLAS CYCLES (HARYANA) LIMITED

We have examined the compliance of condition of Corporate Governance by Atlas Cycles (Haryana) Limited for the year ended March 31, 2005 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, 2005, 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 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 : 30th July, 2005



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MANAGEMENT DISCUSSION & ANALYSIS

1. INDUSTRY STRUCTURE AND DEVELOPMENT

The Bicycle Industry in India had its genesis in 1939, long after the establishment of the industry in the Western countries. The first two units set up in that year manufactured most of the components for bicycles, barring a few items like tyres & tubes, free wheels, chains and balls.

Major manufacturing activities of bicycles and its components in India started, only after independence as many parts were being imported till then. The Bicycle Industry has risen from a mere scratch, and complete dependence on imports, to making the country self-sufficient within a period of about ten years.

In 1949, two more units were set up with know-how from the U.K. The production of cycles entered the fast track after 1950 when Atlas Cycle Industries Ltd., Sonapat set up its unit in 1950. This was followed by three more units in Punjab set up within a period of 4 years.

At present there are five major units in organized sector accounting for 80% of the total production of bicycles. The total production of bicycles is almost 16 million units as compared to 37,000 units produced just after Independence. A number of small manufacturers are coming up in different parts of the country and the share of manufacturers in unorganized sector is on the increase.

The Industry has been trying to keep pace with state of the art technology. Indian companies have provided technical know-how to various developing countries to set up Bicycle manufacturing units, and can render similar assistance to other developing countries. Indian companies are exporting not only traditional "Roadster" cycles to developing countries but have also started exporting new models of Bicycles with latest design to developed countries in the world.

2. OPPORTUNITY AND THREATS

With the on-going process of globalisation higher level of growth together with equitable distribution of income is expected. Generally the economic signs appear to be favorable for the country which will reflect upon the Bicycle Industry in particular and transport segment in general. Although the current Bicycle users will be graduating to auto two-wheelers, but there will be a new population looking to the bicycles as a means of transport. Similarly a new generation of buyer will look to bicycle as a means of leisure, recreation and keeping fit.

The industry has an enormous potential to operate in a global market, though challenges of quality, cost and delivery are equally large.

It is gearing up to meet the emerging global challenges and is in the process of leveraging and upgrading the units by undertaking value addition, instituting cost cutting measures etc.

The import of cheap bicycles from China and Taiwan still continues to be a threat to the domestic industry to some extent.

New segments are emerging and to cater such markets, newer models with world class features need to be introduced in Indian markets at regular intervals.

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.

A wide range of bicycles in the fancy and kids segments were introduced in line with the market demand. Roadster models, however, continued to be the largest selling segment.

4. OUT-LOOK

In the mid of 20th century, cycle was considered as one of the main source of sufficiently fast and cheap mode of traveling for mankind and transportation of small quantities of goods both in rural and urban areas. With the development of technology, the scenario for movement of men and material has been totally transformed. Two wheeler automobiles have almost taken the place of cycle and 4 wheelers have replaced the bullock carts etc. But in developing countries like India and other Asian and African countries cycle is still popular as the cheapest mode of transportation in villages and small towns.

A healthy sustained growth of cycle industry is seen and based on the growth of last few years, by the year 2010, the Indian bicycle industry would need to produce about 1.75 crore bicycles to plug the demand and supply gap. However, there will be a change in the demand pattern linked with consumer changing

aspiration and choice, giving way to latest technology and newer marketing concepts. The industry is already witnessing this to some extent.

The new millennium has brought new challenge of opening up of import of cycles. However, Indian Bicycle Industry does not foresee any problem as the product offered today by Indian manufacturers in the market are best suited to Indian conditions and are most economical and value for money products.

Indian economy is doing fairly well as the agricultural and industrial growth overall is showing favorable trend for last quite some years. Good monsoons and good efforts to give leverage to the trade has improved our economy. The benefits of technological developments, has flowed down to the consumer who now has a wider choice at very competitive rates.

On the whole the future for Indian industry including Bicycle will be challenging. The companies which successfully restructure and modernize to achieve global competitiveness in terms of quality and cost can still hope to survive.

5. RISK AND CONCERNS

With the changing socio-economic patterns in the world over, it is feared that popularity of cycle will further come down, thus affecting the growth of cycle industry. The coming up of Two Wheelers automobiles and Four Wheelers in the market, has already made a dent in the Cycle market and the industry has felt the pinch of it. Though, at present, there is no reduction in the production level but definite effect on its sales has been observed.

At present Two Wheelers automobiles are used by middle class both in cities and villages. With the adoption of liberalized economic policies by the Government the two wheeler automobiles manufacturing units have also boosted their production capacity and the easy availability of funds by financial institutions, in the form of loans, has popularized these two wheelers. The auto population boom in cities and towns has made it difficult for a cyclist to ply on congested roads and lanes.

Keeping in view the above facts, it is feared that the cycle industry in our country will have to face a stiff competition from two wheeler automobiles.

Rising cost of inputs, particularly of steel, and reduction in import duties on bicycles, are matters of concern.

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. 388.40 crores to Rs. 419.19 crores. Other income decreased from Rs. 3.67 crores to Rs. 3.33 crores. Profit after tax decreased from Rs. 2.92 crores in the previous year to Rs. 2.27 crores in the year under report and earning per share declined to Rs. 6.96.

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 2500 employees.

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

} DIRECTORS

New Delhi, the 30th July, 2005.



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) Ltd. as at 31st March, 2005 and also related Profit & Loss Account for the year ended on that date, annexed thereto and the cash flow statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have 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 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 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 we report that:-
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b) In our opinion, proper books of account 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 account.
 - 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 the written representations received, from the directors as on 31.03.05 and taken on record by the board of directors of the Company, none of the directors is disqualified as on 31st March, 2005 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 said accounts together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act 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, 2005;
 - 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 : 30th July, 2005

ANNEXURE TO THE AUDITOR'S REPORT

Annexure referred to in paragraph 3 of the Auditor's Report to the members of Atlas Cycles (Haryana) Limited on the Accounts for the year ended March 31, 2005.

- (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 no transaction that needed to be entered into the register maintained under section 301 of the Companies Act, 1956. Accordingly paragraph (v) (a) and (b) of the order are 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 detailed examination of the records.
- (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, sales 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, custom duty and cess matters. The details of disputed sales tax, excise duty and income-tax dues are as follows :-

Nature of the statute	Nature of the Forum where dues pending	Amount (in lac/Rs.)	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 ITAT	8.99	A.Y.(1998-99)
Income tax act	income tax ITAT	18.25	A.Y.(2001-02)

- (x) The Company does not have accumulated losses at the end of the financial year March 31, 2005. Further, the Company has not incurred any cash losses during the financial year ended March 31, 2005 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) The Company has maintained proper records of transactions and contracts in respect of trading in mutual funds and timely entries have been made therein. All investments have been held in the name of the Company.
- (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 term 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 made any preferential allotment of shares during the year, paragraph 4(xix) of the order is not applicable.
- (xix) During the year, since the Company has not issued any debentures paragraph, 4(xix) of the order is 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, 2005.

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

Place : Delhi
Date : 30th July, 2005

**ATLAS CYCLES (HARYANA) LIMITED****BALANCE SHEET AS AT 31-3-2005**

	Schedules	2005	2004
		Rs.	Rs.
SOURCES OF FUNDS			
Shareholders Funds :			
Issued Share capital	1	3,25,19,190	3,25,19,190
Reserves & Surplus	2	<u>68,11,14,858</u>	<u>67,51,50,618</u>
		71,36,34,048	70,76,69,808
Loan Funds :			
Secured Loans	3	63,38,67,826	49,87,71,720
Unsecured Loans		<u>6,51,29,000</u>	<u>6,21,24,000</u>
		69,89,96,826	56,08,95,720
		<u>1,41,26,30,874</u>	<u>1,26,85,65,528</u>
APPLICATION OF FUNDS			
Fixed Assets	4	37,29,99,014	34,35,39,752
Investments	5	16,40,45,636	12,99,41,048
Current Assets, Loans and Advances	6	1,96,98,86,055	1,77,89,24,212
Less Current Liabilities and Provisions	7	<u>1,07,33,99,831</u>	<u>96,29,39,484</u>
Net Current Assets		89,64,86,224	81,59,84,728
Less Deferred Tax Liability		2,09,00,000	2,09,00,000
		<u>1,41,26,30,874</u>	<u>1,26,85,65,528</u>
Notes to the accounts	10		

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 Accountants

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

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

} DIRECTORS

Delhi: the 30th July, 2005

New Delhi: the 30th July, 2005