

evolution

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ATUL
AUTO LTD.





18th ANNUAL ACCOUNTS 2005-2006

Board of Directors :	<i>Shri J.J. Chandra</i>	<i>Chairman & Managing Director</i>
	<i>Shri B. J. Chandra</i>	<i>Whole Time Director</i>
	<i>Shri M. J. Patel</i>	<i>Joint Managing Director</i>
	<i>Shri R. H. Dhruva</i>	<i>Director</i>
	<i>Shri R. S. Kukreja</i>	<i>Director (up to 31st May 2006)</i>
	<i>Shri S.T. Kaneria</i>	<i>Director</i>
	<i>Advocate H J Lalakiya</i>	<i>Director (w e f 31st May 2006)</i>

Auditors : *M/s. Maharishi & Co.*
Chartered Accountants
JAMNAGAR.

Bankers : *State Bank of India*

Registered Office : *Survey No. 86, Plot No. 1 to 4, N H 8-B, Tal: Kotdasangani,
 Shapar (Veraval) Rajkot.*

Plants *Three wheeler manufacturing Facilities :-*

At Rajkot :- *Survey No. 86, Plot No. 1 to 4, N H 8-B, Kotdasangani,
 Shapar (Veraval), Rajkot*












At Haridwar :- *Sector 2, Plot No 5, IIE, SIDCUL, Ranipur,
 Haridwar. Uttaranchal.*

Wind Turbine generators :-

At Rajasthan :- Village Soda-Mada, Jaiselmer.

At Gujarat :- Village Gandhvi, Jamnagar.

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NOTICE

Notice is hereby given that the Eighteenth Annual General Meeting of the Members of Atul Auto Limited will be held on Monday, July 24, 2006 at 4.00 P. M. at Plot no. 1 to 4, survey no. 86, National Highway 8 B, Near Microwave Tower, Village Veraval Shapar, Kotda Sangani, Rajkot, Gujarat to transact the following business:-

Ordinary Business:

1. To consider and adopt the audited Balance Sheet as at March 31, 2006, Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors' thereon.
2. To declare a dividend on Equity Shares.
3. To appoint directors in place of those retiring by rotation.
4. To appoint Auditors and to fix their remuneration and in this regard to consider and, if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:
"RESOLVED THAT M/S MAHARISHI & CO, Chartered Accountants be and are hereby appointed as Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration as shall be fixed by the Board of Directors."

Special Business

1. To consider and, if thought fit, to pass, with or without modifications, the following resolution as an **Ordinary Resolution**:

" Resolved that in accordance with the provisions of section 257 and all other applicable provisions of , if any of the Companies Act 1956 or any other statutory modifications or reenactments thereof, Advocate Shri H J Lalakia , who was appointed as additional director of the company pursuant to the provisions of section 260 of The Companies Act 1956 , be and is hereby appointed as Director of the company subject to retirement by rotation under the provisions of the articles of association of the company."

By Order of the Board of Directors

Chandra J J
Chairman & Managing Director

Date: - 31st May, 2006

NOTES:-

1. A member entitled to attend and vote at the Annual General Meeting (the Meeting) is entitled to appoint a proxy to attend and vote on a poll instead of himself and the proxy need not be a member of the Company. The instrument appointing proxy should, however, be deposited at the Registered Office of the Company not less than forty-eight hours before commencement of the Meeting.
2. Corporate Members intending to send their authorized representatives to attend the Meeting are requested to send a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the Meeting.
3. In terms of Article 154 of the Articles of Association of the Company, Shri Chandra Bharatkumar Jagjivanbhai and Shri Kaneria Suresh T, Directors of the company, retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. Brief resume of these Directors, nature of their expertise in specific functional areas and names of companies in which they hold directorships and memberships/chairmanships of Board Committees, as stipulated under Clause 49 of Listing Agreement with the Stock Exchanges in India, are provided in the Report on Corporate Governance forming part of the Annual Report. The Board of Directors of the Company commends their respective re-appointments.
4. Members are requested to bring their Attendance Slip along with their copy of Annual Report to the Meeting.
5. Members who hold shares in dematerialized form are requested to write their Client ID and DP ID Numbers and those who hold shares in physical form are requested to write their Folio Number in the Attendance Slip for attending the Meeting.
6. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
7. Relevant documents referred to in the accompanying Notice are open for inspection at the Registered Office of the Company on all working days, except Saturday between 11.00 a. m. and 1.00 p. m. up to the date of the Meeting.
8. (a) The Company has already notified closure of Register of Members and Transfer Books from July 9, 2006 to July 23, 2006 (both days inclusive) for determining the names of Members eligible for dividend on Equity Shares, if declared at the Meeting.
 (b) The dividend on Equity Shares, if declared at the Meeting, will be paid on or after July 24th, 2006 to those Members whose names shall appear on the Company's Register of Members on July 8, 2006. In respect of shares held in dematerialized form, the dividend will be paid on the basis of particulars of beneficial ownership furnished by the Depositories as at the end of business on July 8, 2006.
9. (a) In order to provide protection against fraudulent encashment of dividend warrants, Members who hold shares in physical form are requested to intimate the Company's Registrars and Transfer Agents, M/s. Sharex (Dynamics) Private Limited, under the signature of the Sole/First joint holder, the following information to



be incorporated on dividend warrants:

- (i) Name of the Sole/First joint holder and the Folio Number.
- (ii) Particulars of Bank Account, viz.:
 - (a) Name of Bank
 - (b) Name of Branch
 - (c) Complete address of the Bank with Pin Code Number
 - (d) Account type, whether Savings Account (SA) or Current Account (CA)
 - (e) Bank Account Number

(b) Members who hold shares in dematerialized form may kindly note that their Bank Account details, as furnished by their Depositories to the Company, will be printed on their dividend warrants as per the applicable regulations of the Depositories and the Company will not entertain any direct request from such Members for deletion of or change in such Bank Account details. Further, instructions, if any, already given by them in respect of shares held in physical form will not be automatically applicable to shares held in electronic form. Members who wish to change such Bank Account details are therefore requested to advise their Depository Participants about such change with complete details of Bank Account.

- 10. Members who hold shares in physical form in multiple folios in identical names or joint accounts in the same order of names are requested to send the share certificates to the Company's Registrars and Transfer Agents, M/s. Sharex (Dynamics) Private Limited, for consolidation into a single folio.
- 11. Non-Resident Indian Members are requested to inform the Company's Registrars and Transfer Agents, M/s. Sharex (Dynamics) Private Limited, immediately of:
 - (a) the change in the Residential status on return to India for permanent settlement.
 - (b) the particulars of the Bank Account maintained in India with complete name, branch, account type, account number and address of Bank with Pin Code Number, if not furnished earlier.
- 12. Members are advised to refer to the information provided in the Annual Report.


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CHAIRMAN'S MESSAGE

Ladies and Gentlemen,

This year is very special for us. Atul Auto celebrates the completion of its second decade this year. We have achieved much in these 20 years, but we see it as a journey that's only just begun.

Having started the company with a small capital of only Two Thousand Rupees in 1986, today we have achieved a turnover of Rupees 1680 million. Its taken hard work, enterprise and the ability to find our niche in segments that's responsible for this growth.

Atul Auto pioneered motorized rural transport in Gujarat, with multi purpose vehicle called the Khushbu. The Khushbu has been instrumental in transforming the economy of Gujarat by bridging the rural-urban divide. Over 1,50,000 Khushbu brand vehicles are ply on the roads of Gujarat. These vehicles still remain a core means of livelihood for many families.

In early 2000, we identified a niche market in the half ton three wheeler segment. Infrastructure was becoming better, city traffic was becoming more regulated and the economy was on a boom. We argued that there would be a void for transportation vehicles in this class. In 2001, Atul Auto launched its first half ton three-wheeler with the same

vision: "to devote ourselves for the betterment and comfort of the common man through advanced technologies, products and services in the automotive field."

In just 5 years, we have over 60,000 'Atul Shakti' vehicles on Indian roads acquiring a 9.4% market share of it's category in the diesel three wheeler segment. We have been impatient about our growth from the day we launched our Shakti brand, growing our volumes at a compounded annual growth rate of over 77%. More recently, we have also breached foreign shores and have already had successful trials of the Atul Shakti in Egypt, Nigeria, Kenya and Tanzania. Apart from continuing our aggressive growth, we expect that this year, we'll make a strong entry in the export market also.

Considering our robust growth and strong EPS our board has proposed a dividend of 10% this year.

After proving itself as an aggressive adversary, we have now further cranked up the internal growth engines, and are targeting a 21% market share of it's category in diesel three wheeler segment by 2010. In anticipation of this growth, we have set up a new




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plant at Haridwar with a capacity of 12,000 vehicles per annum on a single shift basis with an initial capex of Rs. 100 million. We expect this plant to go live, latest by August 2006.

The Haridwar unit will give us some distinctive advantages. Located in a notified industrial area in the fast developing state of Uttaranchal, we will have excise exemption for 10 years, 100% income tax exemption for five years and 30% exemption for the next 5 years. We also have a concessional Central Sales Tax at 1% and a capital investment subsidy at 15%. Further, since this unit is closer to our northern markets, we will save significantly on the transportation costs of the vehicles. Ladies & Gentlemen, I reiterate, we are extremely upbeat and excited about the way the Three Wheeler segment is looking over the next decade and we expect that we will continue to outperform our competition.

I however, at Atul Auto we don't rest; let alone on our laurels. We believe in looking at new opportunities all the time. It is my dream, friends, to create an easy-to-maintain, 4-wheeler utility vehicle that will have the lowest total-cost-of-ownership. The vehicle that will provide the lowest downtime and therefore, the maximum benefit to the owner. This project is currently at the drawing board stage and we expect the first Atul 4 wheeler to roll out in just a couple of years.

We live the philosophy with which we make our vehicles. The Atul Shakti is known to keep tire to tarmac. They do not rest and they work hard to ensure maximum output for their owner. We too will not rest. What are goals to others are but milestones to us.

Regards

JJ Chandra

Chairman and Managing Director



EVERY GENERATION NEEDS A NEW REVOLUTION...

The 1970s saw the evolution of 'Chhakada' a people-friendly transportation vehicle, thanks to the ingenuity and hard work of Late Mr. Jagjivanbhai Karsanbhai Chandra, the founder of Atul Auto Ltd., a man who loved challenges and thrived on it. Coming from a small town of Jamnagar, Late Mr. Jagjivanbhai Karsanbhai Chandra's life was fraught with obstacles, but like a true winner, he held within him the spark that would make him outshine in the transportation market.

The 1970s was an era wherein the means of transportation were not very extensive. An average localite was still faced with the problem of transportation.

This was when Late Mr. Jagjivanbhai Karsanbhai Chandra thought of giving a boon to the people of Gujarat by coming up with a vehicle, skillfully engineered from a three-wheeler motorised cart given to him by the Maharaja of Jamnagar. His vehicle, named the 'Chhakada' literally became a boon to the folks of Gujarat



But the story or the 'evolution' didn't stop here. They say, passion to outdo and perform is often hereditary and runs in the family. Same went for Mr. Jayantibhai Chandra, who following his father's footsteps stepped one block ahead by introducing the diesel version of 'Chhakada' with many new features. Soon to be seen were 1,50,000 'Chhakadas' doing the rounds of in the state of Gujarat.

Starting with just one workshop in Jamnagar, Atul Auto Ltd. went ahead to procure workshops in Saurashtra. And, today, looking at the growing demands of the upsurging market and the intense competition, it has expanded itself, by starting a huge factory outlet at Shapar-Rajkot, which has an existing factory area of 5,00,000 sq.ft, constructed area of 2,75,000 sq. ft. and a capacity of manufacturing 24000 vehicles per annum on single shift basis.

The success of the earlier 'Chhakadas' and the smiles of satisfaction on

hundreds of faces, boosted the Group's morale, and led them to engineer different products for the semi-urban and urban areas. Little wonder, 'Atul Shakti'- the half tonner passenger/cargo three-wheeler, targeted to the niche rural and semi-urban market segment became an overnight success, with maximum mileage and latest technology being some of its key features.

In the last three years, Atul Auto has undergone a colossal change, not just technologically but also production and turnover wise. As of today, the turnover of the Atul Auto stands at Rs.1680 million thanks to the foresight of Late Mr. Jagjivanbhai Karsanbhai Chandra, and the gigantic efforts of his son, Mr. Jayantibhai Chandra.

Apart from the above, the Company has made a capital outlay of Rs. 55.20 million for installation of a Wind Turbine Generator (WTG) of 1.25 MW capacity at Village Soda, District Jaisalmer, Rajasthan in the year 2004-05 and, has also entered into a Power Purchase Agreement (PPA) with Rajasthan Vidhyut Parivahan Nigam Limited, in the State of Rajasthan for the sale of electricity.

In the year 2005-06, the company has further invested Rs. 34.20 million for installation of Wind Turbine Generator of 600 KW capacity at Gujarat. The generation of power is being captively consumed for production facility at Shapar-Rajkot.

The company is setting up a new plant for manufacturing three wheelers at Haridwar, Uttaranchal, by investing of Rs. 100 million having production capacity of 12000 vehicles per annum on single shift basis. The plant will be operational by August-2006.

Atul Auto Ltd. has always believed in revolutionising the transportation sector, thereby enhancing the lives of hundreds of people, and, towards achieving that end, has evolved with operations spread across boundaries, not just nationally but also internationally.

May 'growth' that has so long been a part of Atul Auto Ltd., never cease to sprout its branches. So, coming towards the end of yet another financial year, we sincerely thank our stakeholders for being with us at various stages of our growth cycle.

The revolution has started... May it pass often through the roads of success for a better tomorrow.

