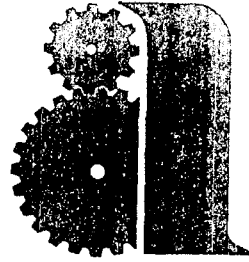


MD	✓		BKC	✓
CS	✓		DPY	NP
RO	✓		DIV	✓
TRA	✓		AC	✓
AGM	✓	✓	SHI	✓
YE	✓	✓		✓



ATLAS GEARS LIMITED

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1996-97



7th Annual Report 1996-97**BOARD OF DIRECTORS**

Riad Fyzee

Chairman & Managing Director

Murad K. Fyzee

Rattan Singh

P. N. Kotwal

J. M. Mapgaonkar

M. M. Deshmukh

S. Rengarajan

Marcel Rebello

*Company Secretary***BANKERS**

Bank of India

The United Western Bank Ltd.

AUDITORS

Suresh Surana & Associates

**REGISTERED OFFICE
& FACTORY**

Survey No. 157, Devarwadi Village,
Chandgad Taluka, Post Shinoli,
Dist. Kolhapur,
Maharashtra 416 507.

CORPORATE OFFICE :

12, Mehta Chambers,
127/A, Kalyan Street,
Dana Bunder, Masjid,
Mumbai-400 009.

REGISTRARS & TRANSFER AGENTS

Hamco Share Registry Pvt. Ltd.
17-B, Dena Bank Building, 2nd Floor,
Horniman Circle,
Fort, Mumbai-400 001.
Tel. : 26 5781, 266 2214
Fax : 266 4779

✓
300
M/M

ATLAS GEARS LIMITED**NOTICE :**

NOTICE is hereby given that the Seventh Annual General Meeting of Atlas Gears Limited will be held on Tuesday, 30th September, 1997 at 3.00 p.m. at the Registered Office of the Company at Survey No. 157, Devarwadi Village, Chandgad Taluka, Dist. Kolhapur, Maharashtra 416 507 to transact the following business :

1. To receive and adopt the Profit and Loss Account for the year ended 31st March, 1997 the Balance Sheet as at that date and the Reports of the Directors and Auditors thereon.
2. To declare Dividend on Equity Shares.
3. To appoint Directors in place of those retiring by rotation.
4. To appoint a Director in place of Mr. S. Rengarajan who was appointed as an Additional Director of the Company and hence holds the office of Director only up to the date of this meeting and in respect of whom the Company has received a notice from a member complying with the provisions of Section 257 of the Companies Act 1956 signifying his intention to propose Mr. S. Rengarajan as a candidate for the office of Director.
5. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.
6. To consider and if thought fit to pass the following resolution as an ordinary resolution :

"RESOLVED that pursuant to the provisions of sections 198, 269 and 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the approval of the company be and is hereby accorded to the reappointment of Mr. Rattan Singh as Wholtime Director designated Vice-President (Projects) for a period of 2 years from 1st October, 1996 on the following terms and conditions :

 - I. a) Salary : Rs.7500 per month.
 - b) Perquisites
 - i) House Rent Allowance @ 20% of salary.
 - ii) Medical Reimbursement : Expenses incurred for the Director and his family upto Rs.10000 per year.
 - iii) Leave Travel Concession : For the Director

and his family once in a year incurred in accordance with the company's rules.

- iv) Contribution to provident fund, superannuation fund, annuity fund, and gratuity as per the Company's rules.
 - v) Provision of car, driver and telephone at the residence for his use and
 - vi) Such other benefits, amenities, allowances and facilities as per the Company's rules.
- II. The remuneration whether by way of salary or perquisites payable by the Company to the Director will not exceed the limits laid down in sections 198 and 309 of the Companies Act, 1956 or any statutory modification or reenactment thereof.
 - III. In the event of absence of inadequacy of profits in any financial year the remuneration by way of salary, allowances and perquisites payable to the Director will not exceed the limits prescribed under the Companies Act, 1956 and the Rules made thereunder or any statutory modification or reenactment thereof.

NOTES :

- a) The relative Explanatory Statement as required by Section 173 of the Companies Act, 1956 in regard to item nos 4 and 6 is annexed hereto.
- b) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER. PROXY FORMS MUST REACH THE COMPANY'S REGISTERED OFFICE NOT LESS THAN 48 HOURS BEFORE THE MEETING.
- c) If dividend on equity shares as recommended by the Board is approved at the forthcoming Annual General Meeting payment thereof will be made to those shareholders whose names appear on the Register of Members of the company as on 30th September, 1997.
- d) The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, 16th September 1997 to Tuesday 30th September 1997 both days inclusive.
- e) Members are requested to:
 - i) Intimate to the Company's Registrars and Share Transfer Agents change if any, in their registered address at an early date;

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- ii) Quote Folio Numbers in all their correspondence.
- iii) Return the form placed at the end of this Report duly completed for incorporation of particulars of their Bank Accounts on the dividend warrants.

By Order of the Board of Directors

Marcel Rebello
Company Secretary

Mumbai, Dated 25th June, 1997.

Registered Office :

Survey No. 157,
Devarwadi Village,
Dist. Kolhapur,
Post Shinoli,
Maharashtra 416 507.

EXPLANATORY STATEMENT

As required by Section 173 of the Companies Act, 1956 the following Explanatory Statement sets out all the material facts relating to the business under item Nos. 4 and 6.

Item No. 4

Mr. S. Rengarajan was appointed Additional Director of the Company with effect from 20th February, 1997. Mr. S. Rengarajan is a senior executive in IL & FS Venture Corporation Ltd., and is their representative on the Board of Directors of the company. He has wide and varied experience and the Board of Directors feel that it would be in the interest of the Company to have the benefit of his experience and advice and accordingly commends his appointment to the members. Mr. S. Rengarajan has filed with the Company his consent to act as Director.

Mr. S. Rengarajan may be deemed to be concerned or interested in the Resolution relating to his appointment.

Item No. 6

Mr. Rattan Singh was appointed Wholetime Director designated Vice President (Projects) for a period of 5 years with effect from 1st October 1991 on terms of remuneration as approved at the Extraordinary General Meeting held on 30th September, 1991 and revised with effect from 1st October, 1995. Accordingly the term of appointment of Mr. Rattan Singh terminated on 30th September, 1996. Mr. Rattan

Singh is a Graduate in Hydrography and has served in the Indian Navy, winning several gallantry and non gallantry awards. He has been a Director of the Company, right from inception. Mr. Singh is attached to the company's corporate office at Mumbai and is presently responsible for the company's expansion and diversification plans.

In order to co-ordinate the various activities of the company for successful completion of its current expansion project the Board of Directors at their meeting held on 26th September, 1996 have resolved to reappoint Mr. Rattan Singh for a further period of 2 years with effect from 1st October, 1996 on terms and conditions mentioned in the resolution at item no. 6 above.

The Board considers that in view of the experience, knowledge and long association of Mr. Rattan Singh with the company it would be in the interest of the company to have the benefit of his advice and accordingly commends to the Members motion under item No. 6.

Mr. Rattan Singh is interested in this item of business.

By Order of the Board of Directors

Marcel Rebello
Company Secretary

Mumbai, Dated 25th June, 1997.

Registered Office :

Survey No. 157,
Devarwadi Village,
Dist. Kolhapur,
Post Shinoli,
Maharashtra 416 507.

ATLAS GEARS LIMITED

DIRECTORS' REPORT

The Directors present their 7th Annual Report together with the audited accounts of the Company for the year ended 31st March, 1997.

1. FINANCIAL RESULTS	1996-97 (Rs. in lakhs)	1995-96 (Rs. in lakhs)
Gross Income	852.75	581.28
Profit before depreciation, interest and tax	148.41	160.41
Interest	127.64	73.20
Depreciation	65.55	44.75
Profit before tax	82.86	70.91
Provision for tax	11.54	—
Profit after tax	71.32	70.91
Balance of profit/(loss) for earlier year	83.72	12.81
Provision for Dividend	20.50	—
Provision for tax on dividend	2.05	—
Balance carried to balance sheet	132.49	83.72

2. DIVIDEND

The Directors recommend a maiden dividend of Re.0.50 per equity share on 41,00,000 equity shares of Rs.10/- each for the year ended 31st March, 1997.

3. OPERATIONS

The Company produced 186467 pieces of gears during the year ended 31st March, 1997 as against 144659 pieces produced during the previous year thus resulting in an increase of 28.9%. Sales turnover and other income for the year amounted to Rs.852.75 lakhs as against Rs.581.38 lakhs for the previous year. Sales turnover during the year registered an increase of approximately 12.95% over the projections made in the prospectus at the time of the Public Issue. The significant increase in Sales Turnover can be attributed to the product-mix being loaded more in favour of tractor gears. Most of the production continues to be sold to Mahindra & Mahindra Ltd., with a small portion being supplied to Greaves Ltd. and Kerala Agro Machinery Corporation (KAMCO).

4. EXPANSION :

Civil work required for the expansion is nearing completion. A major portion of the imported machinery has arrived at the port. Part of the machinery has been shifted to the Plant site and commissioned, whereas the balance machinery is in the process of being shifted to the Plant.

The automotive division of Mahindra & Mahindra Ltd., has suggested that the Company supply Fully Assembled Gear transmissions which would initially be used for their L.C.V.'s manufactured at Zaheerabad. (Models Cab King SV and Cab King.) The capital investment required for the said project would be met solely through Debt, Lease financing and internal accruals. The product would however substantially improve the Company's future profit margins without any dilution of equity.

The Company is also in the process of finalising an Export order for Industrial Gears with the Sumitomo Group. U.S.A. and Japan.

5. CURRENT YEAR

The Company has commenced supply on a commercial basis to Mahindra and Mahindra Ltd., Automotive Division of 4 components of the 4 Speed Gear Box as well as one engine gear and transfer case gear in addition to 2 components of the 3 Speed Gear Box. Trial batches of further 5 components are awaiting approval from Mahindra and Mahindra Ltd. Further the company has developed for the Tractor Division 4 components of the Constant Mesh projects and 7 components of the Small Tractor project, in addition to the 4 gears for the main gear transmission. With the installation of additional machinery and consequent operational efficiencies, your Directors are of the opinion that barring unforeseen circumstances the prospects for the current year would be comparatively better than last year.

6. PROJECTIONS VS PERFORMANCE

The projections of profitability which have been stated in the prospectus issued by the company in connection with its Public Issue and the actual performance of the Company for the year 1996-97 are given below :

Description	Projections for the year 1996-97	(Rs. in lakhs) Actual performance for the year 1996-97
Sales	755	852.75
Net Profit before taxation	139	82.86
E.P.S.	3.39	1.74

Although Sales for the year surpassed the projections made in the Prospectus, the decline in profitability was due to erosion in margins on account of increase in input costs, change in product mix, and interest on borrowings

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occasioned due to delay in sanction of increased working capital limits.

7. FINANCE

The company allotted on 1st February 1997, 1708500 (20%) Fully Convertible Debentures of Rs.10/- each to the promoters and Mahindra & Mahindra Ltd., being their subscription towards the equity for part financing the expansion programme. The said debentures alongwith net accumulated interest will be converted into Equity shares on 1st April, 1998.

The company has been sanctioned by SCICI Ltd. now ICICI Ltd., Rs.10 crores by way of foreign currency loan, which has been utilised for opening letters of credit required for import of machinery. Sanction has also been received from SICOM and State Bank of India for Rupee Loan of Rs.5 crores in the aggregate. With these loans the complete debt component of the finance required for the expansion has been tiedup.

The Company has been regular in payment of dues to the Financial Institutions and Banks. During the year, the company paid Rs.60.87 lakhs by way of repayment of loan instalments due to the Financial Institutions/Banks.

8. PARTICULARS OF EMPLOYEES

Pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 a statement giving the requisite information is annexed hereto and forms part of this report.

9. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO.

The information required in terms of Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988, is given in the annexure forming part of this Report.

10. DIRECTORS

It has been agreed among Mr. M.K. Fyzee, Mr. Rattan Singh and Mr. J. M. Mapgaonkar who were appointed Directors on the same day viz: 19th September 1995 that Mr. Rattan Singh and Mr. M. K. Fyzee will retire at this Annual General Meeting. Mr. M. K. Fyzee and Mr. Rattan Singh being eligible offer themselves for reappointment as Directors.

Mr. S. Rengarajan was appointed Additional Director of the Company with effect from 20th February, 1997. He ceases to hold office on the date of this Annual General Meeting and being eligible offers himself for reappointment as Director.

Mr. M. M. Deshmukh was appointed Director of the company with effect from 16th August, 1996 as a nominee of SICOM Ltd.

Mr. P. S. Mathur and Mr. Dhruva Chaudhuri ceased to be Directors of the company with effect from 25th September 1996 and 20th February, 1997 respectively consequent upon withdrawal of their nomination by Creditcapital Venture Fund (I) Ltd.

Mr. Manu Chadha ceased to be Director of the Company with effect from 7th February, 1997 consequent upon resignation due to his preoccupation and withdrawal of his nomination by Risk Capital & Technology Finance Corporation Ltd.

The Board wishes to place on record its appreciation of the advice and counsel tendered by them during their tenure as Directors of the Company.

11. AUDITORS

Suresh Surana and Associates, Chartered Accountants retire at this Annual General Meeting and offer themselves for reappointment.

12. ACKNOWLEDGEMENT

The Directors express their sincere thanks for the continued support and co-operation given by the Financial Institutions, Banks and Employees of the Company.

By Order of the Board of Directors

Riad Fyzee
Chairman and Managing Director

Place : Mumbai

Date : 25th June, 1997.

ATLAS GEARS LIMITED**ANNEXURE**

STATEMENT UNDER SECTION 217(I) (e) OF THE COMPANIES ACT 1956, READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS RULES 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH 1997.

A. CONSERVATION OF ENERGY

1. In contact with CII Energy Management Cell for Energy audit on a regular basis.
2. New furnaces designed for operating under lowest operating cost and highest Thermal efficiency.
3. Energy meters introduced in key areas for close monitoring and control.
4. Introduced Automatic Capacitor Control Panels for constantly monitoring and improving the Power Factor, thereby eliminating any penalties levied by the Electricity Board.

B. TECHNOLOGY ABSORPTION

1. The Company does not have a Research and Development Department at Present.

2. Experiments with the Toyota Production Systems to reduce inventory levels and improve labour productivity have been found successful.
3. These systems are earmarked to be introduced in most of the activities in the on-going Expansion Project.
4. Introduction of Gear Tooth Profile Grinding Machines in the Expansion Project has added sophistication to our capability for supply of gears of a higher class of accuracy to the new generation vehicle manufacturers.
5. Additional Quality Control Equipment added during the year under review.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

The company earned foreign exchange during the year under review amounting to Rs.2.04 lakhs against sundry receipts (Previous year Nil) Total expenditure in foreign currency on import of capital goods Nil. (Previous year Rs.12.84 lakhs) foreign travel Rs.3.94 lakhs (Previous year Nil).

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Information as per Section 217(2A) of the Companies Act 1956 read with the Companies (Particulars of Employees) Rules 1975 and forming part of the Directors' Report for the year ended 31st March, 1997.

Name	Age	Qualification
Mr. Riad Fyzee	43 Years	B.A. (Economics) M.B.A. - U.S.A.
Date of Employment	Designation/Nature of Duties	Remuneration Received
1st July 1994	Managing Director	Rs.3,20,852/-
Experience	Last Employment	
19 Years	Dy. Managing Director Blue Skies Pvt. Ltd.	

Mr. Riad Fyzee is the son of Mr. Murad Fyzee, Director of the Company.

7th Annual Report 1996-97**AUDITORS' REPORT**

To,

The Members of
ATLAS GEARS LIMITED

We have audited the attached balance sheet of **ATLAS GEARS LIMITED** as at 31st March, 1997 and the profit and loss account of the Company for the year ended on that date annexed thereto.

We report as follows:

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said order.
2. Further to our comments in the annexure referred to in paragraph 1 above:

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

- b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books;
- c) the balance sheet and profit and loss account dealt with by this report are in agreement with the books of account;
- d) in our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with notes in Schedule '22' give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view:
 - i) in the case of the balance sheet, of the state of affairs of the Company as at 31st March, 1997 and
 - ii) in the case of the profit and loss account, of the profit of the Company for the year ended on that date.

FOR SURESH SURANA & ASSOCIATES
Chartered Accountants

Suresh Surana
PROPRIETOR

Mumbai; Dated: 25th June, 1997.