

*13th
Annual Report
1997-98*

MD	✓		BKC	✓
CS	✓		DPY	NA
RO	✓		DIV	NA
TRA	✓		AC	✓
ASST	✓	✓	SHI	✓
YE	✓	✓		



GUJARAT CYCLES LIMITED



GUJARAT CYCLES LIMITED

13TH ANNUAL REPORT 1997-98

13TH ANNUAL GENERAL MEETING

On Monday, the 28th September, 1998
at 3.00 P.M. at the Registered office of
the Company, 187, G.I.D.C. Industrial
Estate, Waghodia 391 760
Dist. : Vadodara.

CONTENTS

	Page
Notice	2-4
Directors' Report	5-7
Auditors' Report	8-9
Balance Sheet	10
Profit & Loss Account	11
Schedules to Accounts	12-24
Cash Flow Statement	25
Balance Sheet Abstracts & General Business Profile	26

BOARD OF DIRECTORS

Shri Satyanand Munjal *Chairman*

Shri Brijmohan Lall Munjal

Shri Omprakash Munjal

Shri M. P. Tellis *ICICI Nominee (Up to 20.2.98)*

Shri S. C. Gupta *BIFR Appointee (Up to 21.9.97)*

Shri S. N. Mathur *BIFR Appointee (Up to 25.11.97)*

Shri Sanjiva Singh *ICICI Nominee (From 20.2.98)*

Shri G. D. Vyas, IAS *GLIC Nominee (From 20.4.98)*

Shri Vijay Munjal

Shri Vikram C. Shah

Shri Sudhir Munjal *Managing Director*

COMPANY SECRETARY

Shri Viresh R. Dhaibar

REGISTERED OFFICE

187, G.I.D.C. Industrial Estate,
Waghodia 391 760
Dist. VADODARA (Gujarat)

BANKERS

STATE BANK OF INDIA
PUNJAB NATIONAL BANK

AUDITORS

VAKIL, JAIN & HINDOCHA
Chartered Accountants
VADODARA

GUJARAT CYCLES LIMITED**NOTICE**

Notice is hereby given that the 13th Annual General Meeting of the Members of GUJARAT CYCLES LIMITED will be held on Monday, the 28th September, 1998 at 3.00 P.M at the Registered office of the Company, 187, G.I.D.C. Industrial Estate, Waghodia - 391 760 Dist. Vadodara, to transact the following Business :

[A] ORDINARY BUSINESS

1. To receive , consider and adopt the Audited Balance Sheet as at 31st March, 1998 and Profit & Loss Account for the year ended on that date alongwith the Reports of Directors and Auditors thereon.
2. To appoint a Director in Place of Shri Satyanand Munjal who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri Vikram Shah who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint M/s Vakil, Jain & Hindocha, Chartered Accountants as Auditors to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting of the Company and to authorise the Board of Directors to fix their remuneration.

[B] SPECIAL BUSINESS :

5. To Consider and if thought fit, to pass with or without modification the following Resolution as a SPECIAL RESOLUTION.

"RESOLVED THAT subject to the approval of the Central Government and pursuant to the provisions of Section 198, 269, 309 and 314 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 Shri Sudhir Munjal be and is hereby re-appointed as Managing Director of the Company for a further period of five years from 30.10.98 upon the terms of remuneration as set out in the explanatory statement annexed to the notice convening this meeting and other terms and conditions of appointment as set out in draft Agreement of the appointment, a copy whereof initialled by the Chairman for the purpose of identification is placed before this meeting, with liberty to the Board of Directors to increase remuneration, alter and vary such terms and conditions in accordance with Schedule XIII or any changes in the Government policy on managerial remuneration or any amendments made in the Schedule XIII to the Act hereafter as may be agreed by the Board of Directors and Shri Sudhir Munjal."

Registered Office :

187, GIDC Industrial Estate,
Waghodia - 391 760
Dist. Vadodara

By order of the Board
For GUJARAT CYCLES LTD

VIRESH DHAIBAR
Company Secretary

Date : 31st August, 1998

NOTES :

1. 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 of the Company. The proxy in order to be effective must be deposited at the Registered office of the company not less than 48 hours before the commencement of the meeting.
2. Members are requested to intimate the change of address , if any, to our Registrar and Share Transfer Agent at the following address:

PCS Industries Ltd.

"Ashirwad" 18, Ganga park, Near Bhagyoday Towers,
Race course, Gotri Road,
Vadodara - 390 0015.

GUJARAT CYCLES LIMITED

3. The Register of Members and Debenture holders along with Share transfer/ Debenture transfer books will remain closed from 18th September, 1998 to 22nd September, 1998 (both days inclusive).
4. Relevant explanatory statement of material facts pursuant to section 173(2) of the Companies Act, 1956, in respect of item No. 5 of the Notice is annexed hereto.

ANNEXURE TO THE NOTICE**EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956****ITEM NO. 5 :**

Members are aware that Shri Sudhir Munjal is rendering his valuable service to the company since 30th October, 1993 as Managing Director of the company and is actively involved in the overall management of your company for the last five years. He has taken keen interest in the growth and development of your company. He has over 28 years experience in the management of Hero Group companies and was a pioneer of Hero Groups Automobile (Moped), Light Engineering unit - Majestic Auto Ltd., Ludhiana.

Looking to the present situation of the company and Shri Sudhir Munjal's experience and track record of rehabilitating a sick unit, your Board of Directors at their meeting held on 31st August, 1998 has re-appointed him as Managing Director of the company as it would be appropriate and advisable for the company to have him as its Managing Director for a further period of five years w.e.f. 30.10.98 to 29.10.2003. It is proposed that in view of magnitude of responsibilities involved and emolument level prevalent in other companies for similar positions, the salary of Shri Sudhir Munjal be increased to Rs.40,000/- per month on the terms and conditions including remuneration as follows :

1. The appointment of Shri Sudhir Munjal as the Managing Director of the company to be for a period of five years from 30th October, 1998.
 2. Subject to such Superintendence and Directions as may be given by the Board from time to time Shri Sudhir Munjal shall have the management of the whole of the affairs of the company and do all acts and things, which in the ordinary course of business, he considers necessary proper and in the interest of the company.
 3. The company to remunerate Shri Sudhir Munjal in consideration of the performance of these duties :
 - (a) Salary of Rs.40,000 (Rupees Forty thousand) per month.
 - (b) Perquisites : The Managing Director shall also be entitled to the following perquisites restricted to an amount equal to the amount of salary amounting to Rs.40,000/- per month.
- I) House Rent Allowance @ 60% of the basic salary, Medical Allowance @ 10% of basic salary, leave travel allowance @ 10% of basic salary, Electricity allowance @ 10% of the basic salary, Education allowance @ 5% of basic salary and furnishing allowance @ 5% of basic salary subject to over all ceiling of annual salary of the Managing Director.
- II) Use of company's car with driver and telephone at his residence shall not be included in the computation of the ceiling of perquisites. Use of car for private purpose and personal long distance calls on telephone shall be billed by the company to the Managing Director.

GUJARAT CYCLES LIMITED

III) Company's contribution to provident fund and superannuation or annuity fund to the extent these either singly or put together are not taxable under the Income Tax Act. Gratuity payable at the rate not exceeding half a month's salary of each completed year of service and encashment of leave at the end of the tenure of the Managing Director shall not be included in the computation of aforesaid limits for the remuneration or perquisites.

IV) For the purpose of calculating the above ceiling, perquisites shall be evaluated as per Income Tax Rules, wherever applicable. In the absence of any such rules, perquisites shall be evaluated at actual cost.

4. Shri Sudhir Munjal to be entitled to :

- a) the reimbursement of entertainment expenses actually and properly incurred by him in the course of the legitimate business of the company in accordance with the rules and regulations of the company in force from time to time or as may be approved by the board of Directors; and
 - b) the reimbursement of travelling, hotel and other expenses incurred by him in India and Abroad exclusively on the business of the company in accordance with the rules and regulation of the company in force from time to time or as approved by the Board of Directors.
5. As long as Shri Sudhir Munjal functions as Managing Director, no sitting fee to be paid to him for attending the meetings of the board of Directors or committee thereof.
6. Shri Sudhir Munjal shall not retire by rotation whilst he continues to hold that office.
7. Either party shall be entitled to terminate the agreement by giving to the other party 180 days' notice in writing without showing any cause.

The Board recommends to pass the special resolution as set out under item No. 5 of the notice.

Except Shri Sudhir Munjal and Shri Satyanand Munjal who are related to each other, no other Director is concerned or interested in this special resolution.

The draft agreement containing various terms and conditions of reappointment and remuneration to be executed between the company and Shri Sudhir Munjal is available for inspection by Members of the Company at its Registered Office between 11.00 A.M. and 1.00 P.M. on any working day of the company before the date of this Annual General Meeting.

The above statement may be treated as an abstract of the terms of contract for appointment of Managing Director and Memorandum of interest as required under section 302 of the Companies Act, 1956.

Registered Office :

187, GIDC Industrial Estate,
Waghodia - 391 760
Dist. Vadodara

Date : 31st August, 1998

By order of the Board
For GUJARAT CYCLES LTD

VIRESH DHAIBAR
Company Secretary

GUJARAT CYCLES LIMITED**DIRECTORS' REPORT**

To,
The Members,

The Directors hereby present their 13th Annual Report and the Audited Statements of the Company for the year ended 31st March, 1998.

1. FINANCIAL RESULTS :

(Rs. in Lac)

	1997-98	1996-97
Sales and Other Income	3134.28	2932.88
Profit / (Loss) before Depreciation, Interest and Financial Expenses	(329.49)	(150.83)
Interest and Financial Expenses	196.16	190.59
Depreciation	103.71	101.75
Prior Period Adjustments / Non recurring expenditure	(140.00)	(58.46)
Miscellaneous Expenditure Written off	11.26	7.00
Net Profit / (Loss)	(780.62)	(508.63)

2. OPERATIONS :

During the year under review sales and other Income of the company has amounted to Rs. 3134.28 lac as against Rs. 2932.88 lac, notched up in the previous year. Due to continued recessionary conditions prevailing in the bicycle exports market, the company's operations were adversely affected during the year.

3. EXPORT SALES :

Exports to developed countries continued to be the mainstay of company's business. The total export earnings (including indirect exports) during the year have been Rs. 2574.30 lac.

4. FUTURE OUTLOOK :

The major markets for the bicycle manufactured by the company are developed countries. The competitive pressure in the export market continues to be high and therefore the margins are under pressure. Although the quality of bicycles manufactured by your company is well accepted in export markets, it has been reeling under very thin margins for quite some time. To accentuate the predicament further in the last few months, as you may be aware, the South-East Asian economic crises has created turmoil not just in international financial market, but in virtually every sector of global industry and the impact of this, while it still continues to unfold, has been felt in the bicycle exports market as well.

This has necessitated a fresh look and review of the company's strategy of business. It appears that the bicycle business especially in the export markets for the reasons indicated above may not be able to carry the company through its revival completely. Your directors have deliberated upon in detail and thought fit to shift the strategy of business and explore the possibility of auto components manufacturing by substantially using the same existing manufacturing facilities. To begin with the company has identified two auto components for two wheelers viz; Auto Rim and Mufflers.

5. SANCTIONED SCHEME OF REHABILITATION :

The BIFR sanctioned scheme of rehabilitation for the company which is currently under implementation come up for review of BIFR during the year. It has directed the company to present a modified rehabilitation scheme through the monitoring agency ICICI. The company expects to finalise and submit shortly the modified scheme of rehabilitation incorporating the shift in strategy of business i.e. new focus on the auto components business.

6. FINANCE :

As reported last year, the company finalised the Rights Issue of ZIFCDS aggregating to Rs. 1298.70 lacs to augment the funds for implementing the sanctioned scheme of its rehabilitation. The entire process of the said Rights issue was put through during the year and has been able to raise the entire amount mainly due to the commitment fulfilled by the promoter Hero Group Companies.

GUJARAT CYCLES LIMITED

7. ENERGY, TECHNOLOGY, FOREIGN EXCHANGE

The particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 are given in the Annexure 'A' which forms part of this report.

8. ENVIRONMENTAL COMPLIANCE :

Company's operations in the plant are largely non-polluting and non-hazardous in nature. The company has a system to control and monitor environmental aspects in and around the plant, with due emphasis on continuous improvement in the norms.

9. PARTICULARS OF EMPLOYEES :

Information in accordance with the provisions of Section 217(2A) of the Companies Act, 1956; read with (Particulars of Employees) Rules 1975 as amended regarding employees is given in Annexure 'B' of the Directors Report.

10. DIRECTORS :

BIFR appointed Shri S.N. Mathur on 25.11.97 as its nominee director in place of Shri S.C. Gupta and I.C.I.C.I replaced its nominee director Shri M.P. Tellis by appointing Shri Sanjiva Singh on 20.2.98. GIIC also appointed its nominee director Shri G.D. Vyas, on 20.4.98. The board of directors wishes to place on record their appreciation for the valuable contribution made by Shri S.C. Gupta and Shri M.P. Tellis during their tenure as directors.

Shri Satyanand Munjal and Shri Vikram Shah Directors, retire by rotation and being eligible, offer themselves for re-appointment. Your directors feel that their continuance as directors would be in interest of the company.

11. AUDITORS :

M/ s. Vakil, Jain & Hindocha, Chartered Accountants, Baroda retire at the conclusion of this meeting and being eligible have expressed their willingness to continue in the office, if re-appointed. Their observations in the audit report read in conjunction with notes to the accounts are self explanatory and require no additional comments.

12. COST RECORDS :

Company has maintained Cost Account records relating to bicycle and components thereof for the year ended 31st March, 1998.

13. INDUSTRIAL RELATIONS :

It was another year of good industrial harmony resulting in maintaining cordial relations with the personnel of the company.

14. APPRECIATION :

The directors acknowledge with gratitude the co-operation and assistance extended by the Expert Agency BIFR, Government of Gujarat, GIIC, Financial Institutions, Banks and Employees of the Company during the year.

For and on behalf of the Board

Place : New Delhi.
Date : 31st August, 1998.

SATYANAND MUNJAL
CHAIRMAN

GUJARAT CYCLES LIMITED**ANNEXURE 'A' TO THE DIRECTORS' REPORT**

Information as per 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.

1. Conservation of Energy :

(a) Disclosure of particulars in respect of conservation of energy :

The Company is taking measures on an ongoing basis to reduce energy consumption. Specific steps for reduction include new machines and replacements installed without increasing contract demand by improving the power factor through regular monitoring and controlling and preventive maintenance.

(b) No separate account is maintained of such expenses.

(c) Impact of steps mentioned in (a) above cannot be measured.

(d) Form 'A' is not applicable to bicycle industry

2. Technology absorption:

The company has not maintained any separate R & D cell. It has quality control department to check and constantly adopt and adapt measures to enhance the quality. As there is no imported / Foreign technology involved, question of its adoption / absorption does not arise.

3. Foreign Exchange Earnings and outgo :

	(Rs. In lac)	
	1997-98	1996-97
(a) Total Foreign Exchange earnings	1845.86	1569.98
(b) Total Foreign Exchange outgo	317.54	39.26

ANNEXURE 'B' TO THE DIRECTORS' REPORT

Information in accordance with the provisions of Section 217(2A) of the Companies Act, 1956

S.No.	Name	Designation	Qualification	Remuneration	Experience (years)	Age (years)	Date of Employment	Last Employment
1.	Mr. Sudhir Munjal	Managing Director	B.A.	7,95,600.00	28	52	30.10.93	Majestic Auto Ltd.
2.	Mrs. Anju Munjal	Chief Executive	B.A.	5,30,400.00	13	48	01.01.95	Rockman Cycle Ind. Ltd.

NOTE :

- Information has been furnished on the basis of employees employed throughout the period who was /were in receipt of remuneration for the period which, in aggregate was not less than Rs.3,00,000 and that those employed for part of the period, who was / were in receipt of remuneration for any part of the period at a rate which, in aggregate was not less than Rs.25,000 per month.
- Remuneration includes salary, other allowances and expenditure incurred on perquisites and company's contribution to provident fund and superannuation fund.
- The appointment is on contractual basis for the Managing Director (Sr. No.1)