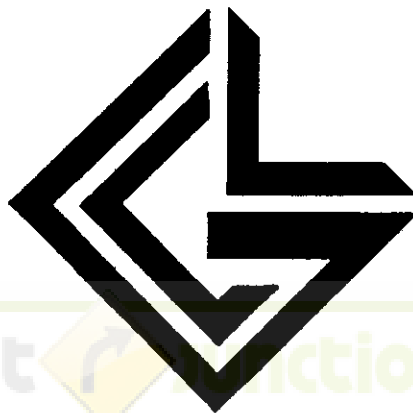


**14th
Annual Report
1998-99**



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GUJARAT CYCLES LIMITED

GUJARAT CYCLES LIMITED**14TH ANNUAL REPORT 1998-99**

14TH ANNUAL GENERAL MEETING
*On Thursday, the 30th September, 1999
 at 3.00 P.M. at the Registered Office of
 the Company at 187, G.I.D.C. Industrial
 Estate, Waghodia - 391 760
 Dist. : Vadodara.*

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BOARD OF DIRECTORS

Shri Satyanand Munjal *Chairman*
 Shri Brijmohan Lall Munjal
 Shri Omprakash Munjal
 Shri S.N. Mathur *BIFR Appointee*
 Shri Sanjiva Singh *ICICI Ltd. Nominee*
 Shri G.D. Vyas, IAS *Govt. of Gujarat
 Nominee (up to 23.1.99)*
 Shri Vijay Munjal
 Shri Vikram C. Shah
 Shri Sudhir Munjal *Managing Director*
 Shri Ravi Sharma *Senior Manager-Finance*
 Shri Viresh R. Dhaibar *Company Secretary*

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 14th Annual General Meeting of the Members of GUJARAT CYCLES LIMITED will be held on Thursday, the 30th September, 1999 at 3.00 P.M. at the Registered office of the Company, at 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, 1999 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 Vijay Munjal who retires by rotation and being eligible, offers himself for re-appointment.
- 3 To appoint a Director in place of Shri Brijmohan Lall Munjal 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 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, and subject to the approval of the Central Government, if required, the approval of the Company be and is hereby accorded to the appointment of Smt. Anju Munjal as a Whole-time Director of the Company for a period of five years w.e.f. 30th September, 1999 upon the terms 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 to alter and vary remuneration and other 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 and Smt. Anju Munjal."

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

By order of the Board
For GUJARAT CYCLES LIMITED

VIRESH DHAIBAR
Company Secretary

Date : 30th August, 1999

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 Limited
"Ashirwad" 18, Ganga Park, Near Bhagyoday Towers,
Race Course, Gotri Road, Vadodara - 390 015.

GUJARAT CYCLES LIMITED

3. The Register of Members and Share transfer books will remain closed from 13th September, 1999 to 16th September, 1999 (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 :**

Notice in writing under Section 257(1) of the Companies Act, 1956 has been received from a member of the Company proposing the candidature of Smt. Anju Munjal as a Director along with a deposit of Rs.500/-. The members of the Company are hereby informed of the candidature of Smt. Anju Munjal for the office of Director and this be treated as individual notice to the members of the Company in terms of Section 257 (1-A) of the Companies Act, 1956.

As of now, Smt. Anju Munjal is rendering her valuable services to the Company since 1st January, 1995 as the Chief Executive of the Company and is actively involved in the overall management of your Company for the last 4 years. She has taken keen interest in the growth and development of your Company and has over 14 years of experience in the management of Hero Group Companies.

In the revised rehabilitation scheme, a new focus on auto components business will be the mainstay of Company's operations in the coming years. It would also necessitate setting up of manufacturing facilities at Gurgaon and the operations of the Company will now be multi-locational i.e. at Waghodia and Gurgaon. Smt. Anju Munjal who is already fully involved and contributing to the revival efforts of the Company as the chief executive for the last four years will be required to put in greater efforts and play more important role in the Company's refocussed business operations. In view of this, the Board of Directors of the Company considered it necessary and desirable to elevate her to the position of a Whole-time Director. Accordingly, the Board of Directors, at its meeting held on 30th August, 1999 unanimously approved the appointment of Smt. Anju Munjal as a Whole-time Director for a period of five years with effect from 30th September, 1999 subject to the approval of members of the Company and the Central Government and other applicable provisions of the Companies Act more specifically referred to in the resolution to this effect.

It is proposed that in view of the magnitude of responsibilities involved, emolument levels prevalent in other companies for similar positions and the ceiling prescribed in section II under part II of schedule XIII of the Companies Act, the remuneration of Smt. Anju Munjal as Whole-time Director of the Company will be on the terms and conditions as set out hereunder :

1. The appointment of Smt. Anju Munjal as the Whole-time Director of the Company to be for a period of five years w.e.f. 30th September, 1999.
2. Subject to such superintendence and directions as may be given by the Board from time to time Smt. Anju 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 she considers necessary, proper and in the interest of the Company.
3. The Company to remunerate Smt. Anju Munjal in consideration of the performance of these duties :
 - (a) Basic Salary : Rs.36,000/- (Rs. Thirty Six Thousand) per month.
 - (b) Commission : She will be entitled for remuneration by way of commission in addition to Basic Salary, perquisites and any other Allowances, benefits or amenities subject to the condition that the amount of commission shall not exceed 1% of the net profits of the Company in a particular financial year as computed in the manner referred to in Section 198 of the Companies Act, 1956.

GUJARAT CYCLES LIMITED

- (c) Perquisites and allowances: The Whole-time Director shall also be entitled to the following perquisites & allowances restricted to an amount equal to the basic salary amounting to Rs.36,000/- per month.
- (i) House Rent Allowance @ 60% of the basic salary, Medical Allowance @ 10% of basic salary, Electricity Allowance @ 10% of basic salary, Education Allowance @ 5% of basic salary and Soft Furnishing Allowance @ 5% of basic salary subject to overall ceiling of annual salary of the whole-time Director
 - (ii) Use of Company's car with driver and telephone at her 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 Whole-time Director.
 - (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 whole-time 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.
 - (v) Further, where in any financial year during the currency of tenure of the Whole-time Director, the Company has no profits or if profits are inadequate, the minimum remuneration payable to the Whole-time Director shall be same substantive salary and perquisites as above mentioned, subject to the ceiling set out under Section II of Part II of Schedule XIII to the Companies Act, 1956.
4. Smt. Anju Munjal to be entitled to :
- a) the reimbursement of entertainment expenses actually and properly incurred by her 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 her 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 Smt. Anju Munjal functions as Whole-time Director, no sitting fee to be paid to her for attending the meetings of the Board of Directors or Committee thereof.
6. Smt. Anju Munjal shall not retire by rotation whilst she 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 Smt. Anju Munjal, 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 appointment and remuneration to be executed between the Company and Smt. Anju Munjal is available for inspection to the 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 Whole-time 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 : 30th August, 1999

By order of the Board
For GUJARAT CYCLES LIMITED

VIRESH DHAIBAR
Company Secretary

GUJARAT CYCLES LIMITED**DIRECTORS' REPORT**

To,

The Members,

The Directors hereby present their 14th Annual Report and the Audited Accounts of the Company for the year ended 31st March, 1999.

1. FINANCIAL RESULTS

	1998-99	1997-98
Sales and Other Income	2668.53	3134.26
Profit /(Loss) before Depreciation, Interest and Financial Expenses	(270.79)	(329.49)
Interest and Financial Expenses	177.79	196.16
Depreciation	116.66	103.71
Prior period Adjustments / Non-recurring expenditure	(56.36)	(140.00)
Miscellaneous Expenditure Written off	6.75	11.26
Net Profit / (Loss)	(628.35)	(780.62)

2 OPERATIONS

Sales and other income of the Company during the year have aggregated to Rs.2669 lac as against Rs.3134 lac in the previous year. However, the losses during the year have also reduced before providing for depreciation and financial expenses to Rs.271 lac from Rs.329 lac in the previous year. During the year, dependence on bicycle business in the operations of the Company has come down as a part of the revised strategy to reduce the extent of losses. The Company has successfully started manufacturing auto components for motorcycles during the second half of the year, utilising major existing manufacturing facilities available and with a minimal new investment in the form of additional machinery required for this purpose. Contribution to the Company's turnover from the auto components business viz. autorims and mufflers for motorcycles during the year was Rs. 908 lac.

3 EXPORT SALES

Reduced emphasis on bicycle business during the year on account of recessionary conditions and severe competitive pressure prevailing in the bicycle exports market has resulted in lower export earnings at Rs. 1374 lac

4 FUTURE OUTLOOK

Last year while presenting the 13th Annual Report of the Company, the Directors had indicated the necessity to review Company's future strategy of business due to persistent difficult conditions in the bicycle exports business. After a lot of deliberations, careful consideration of all aspects and on the bedrock of promoter Hero Group's support, the Company has decided to shift the focus of its business, currently from bicycle manufacturing to a major foray in the auto components business viz. manufacture of rims, mufflers and other cold forged components for motor cycles.

There have been very encouraging signs in the operations of the Company in the last couple of months, as a sequel to shift in the Company's business strategy and it has turned the corner in the last quarter ended 30th June, 1999, wherein it has posted a net profit of Rs. 30 lac. The outlook in this current year and the coming years appears to be bright and barring unforeseen circumstances, your Company's operations for its revival are on course.

5 REVISED SCHEME OF REHABILITATION

Members are aware that the Company was required to submit a revised rehabilitation scheme to the office of BIFR in terms of its directive. Accordingly last year, the Company submitted the said

GUJARAT CYCLES LIMITED

revised scheme to the office of BIFR through the Monitoring Agency ICICI and the Honourable bench of BIFR, after hearing all the stakeholders in the Company in a formal hearing has passed an order on 06.08.99 sanctioning the Company's modified rehabilitation scheme under section 18(5) and 19(3) of the SICA. The Chief features of the said order are :

• **Total Cost of the Scheme** **Rs.4173 Lac**

To be financed by : -

- Fresh contribution from term loans / hire purchase	Rs. 1598 Lac
- Fresh contribution from promoter Hero Group	Rs. 1960 Lac
- Sale / relocation of Plant and Machinery	Rs. 600 Lac
- Capital Subsidy	Rs. 15 Lac

Rs. 4173 Lac

- Company to shift its major focus of business from bicycle manufacturing to manufacture of auto components for two wheelers. In phase I, Company to utilise existing infrastructural facilities at Waghodia, Dist. Baroda and in phase II, to set-up new manufacturing facilities at Gurgaon, Haryana.
- Various reliefs and concessions from institutions, banks and government agencies contained in the original sanctioned scheme and as prescribed in the relevant guidelines for a sick unit rehabilitation to be continued. .

6 ENERGY, TECHNOLOGY, FOREIGN EXCHANGE

The particulars as prescribed under Section 217 (1) (e) 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.

7 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.

8 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.

9 DIRECTORS

Shri. G. D. Vyas, nominee director of the Government of Gujarat resigned on 23-01-99. The Directors wish to place on record their appreciation for the valuable services rendered by him during his tenure as Director of the Company. Shri Vijay Munjal and Shri Brijmohan Lall Munjal, 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.

10 AUDITORS

M/s. Vakil, Jain & Hindocha, Chartered Accountants, the Auditors of the Company retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The Company has received a certificate from the Auditors to the effect that if re-appointed, their appointment shall be in accordance with Section 224(1B) of the Companies Act, 1956. The Board recommends their re-appointment.

11 AUDITORS' REPORT

As regards the observations made in the Auditors' Report, the notes to the accounts are self explanatory and hence, do not call for any further comments.

GUJARAT CYCLES LIMITED**12 COST RECORDS**

Company has maintained Cost records relating to bicycles and components thereof for the year ended 31st March, 1999.

13 LISTING

The shares of your Company are listed on Vadodara, Ahmedabad, Mumbai, Delhi, Ludhiana and Calcutta Stock Exchanges and pursuant to Clause 38 of the Listing Agreements, the annual listing fee for the year 1999-2000 has been paid well before the due date i.e. 30th April, 1999.

14 Y2K COMPLIANCE STATUS

The Company Systems are in use in non-manufacturing areas of the Company. The existing hardware and application softwares have already been tested. Suitable steps are initiated to update and make them Y2K compliant. Expenditure thereon is estimated to be Rs. 6 lac towards this purpose.

15 INDUSTRIAL RELATIONS

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

16 APPRECIATION

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

For and on behalf of the Board

Place: Waghodia

Date : 30th August, 1999

SATYANAND MUNJAL
CHAIRMAN

