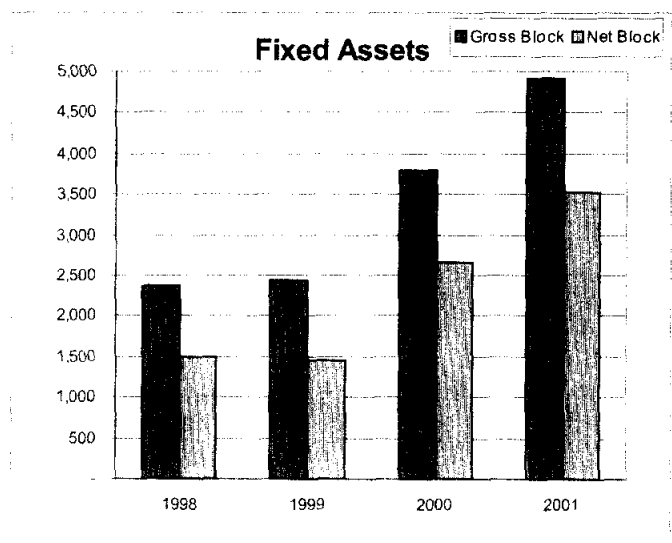
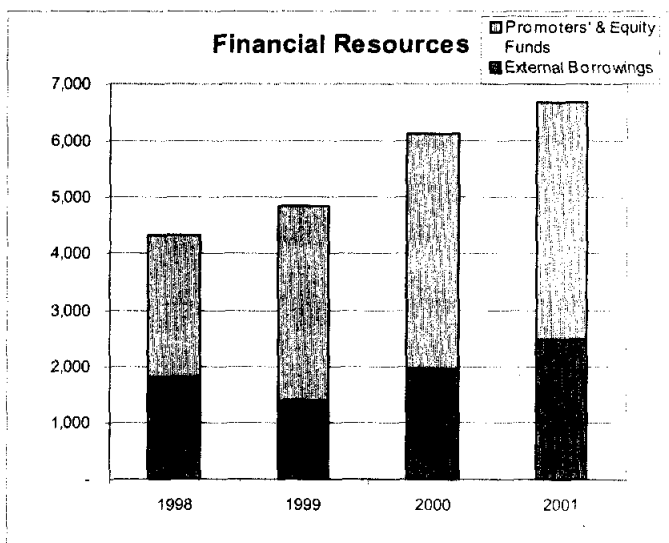
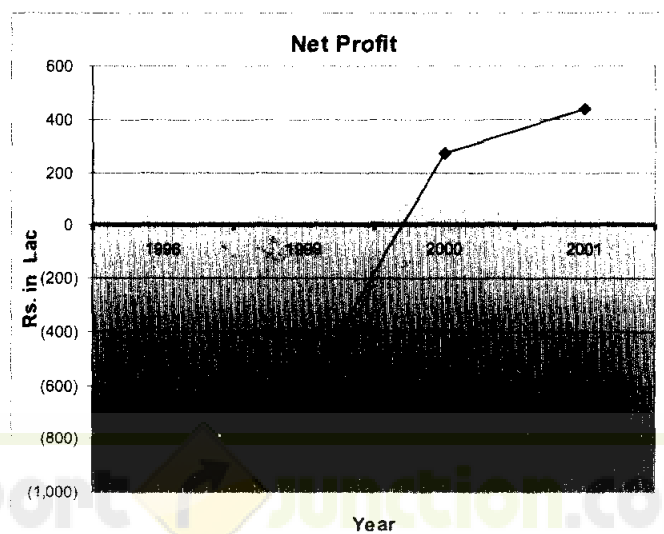
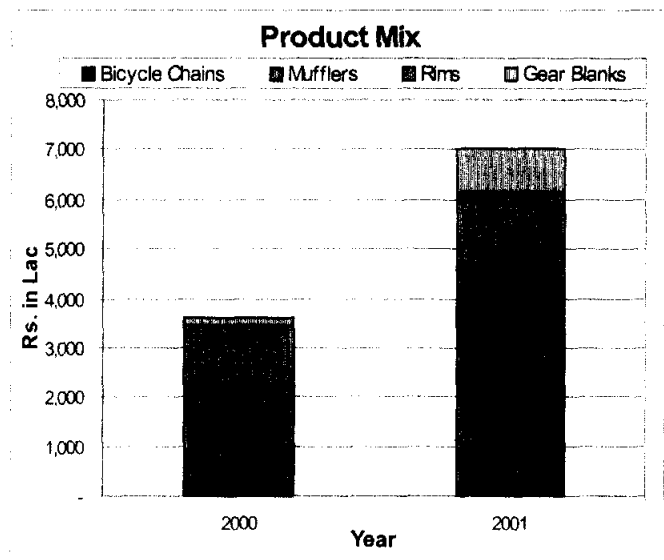
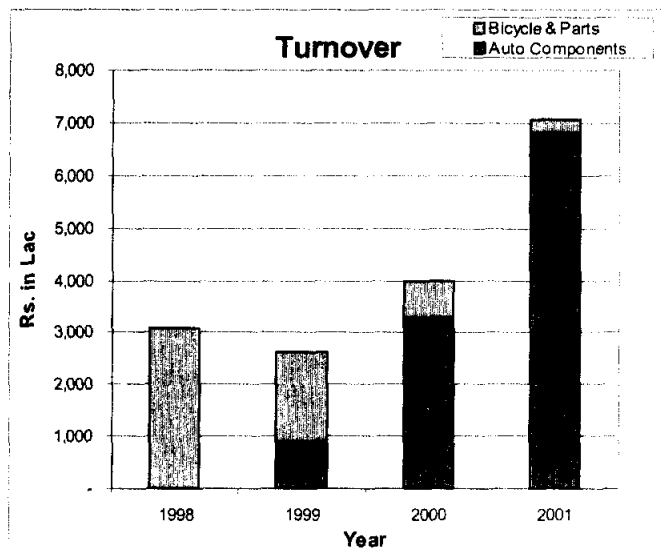

16TH ANNUAL REPORT
2000-01



GUJARAT CYCLES LIMITED

PERFORMANCE AT A GLANCE





NOTICE

Notice is hereby given that the 16th Annual General Meeting of the Members of GUJARAT CYCLES LIMITED will be held on 30th August, 2001 at 3:00 P.M at the Registered Office of the Company at 187, GIDC Industrial Estate, Waghodia - 391 760, Dist.: Baroda, to transact the following business.

[A] ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2001 and Profit & Loss Account for the year ended on that date along with the Reports of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Om Prakash Munjal, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Vijay 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(s), the following resolution as an ORDINARY RESOLUTION.

"RESOLVED THAT Mr. Naresh Kumar Chawla, who holds office as an Additional Director up to this Annual General Meeting and in respect of whom, the Company has received a notice in writing from a member of the Company proposing his candidature for the office of a Director be and is hereby appointed as Director of the Company liable to retire by rotation."

6. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an ORDINARY RESOLUTION.

"RESOLVED THAT Mr. Mahendra Sanghvi, who holds office as an Additional Director up to this Annual General Meeting and in respect of whom, the Company has received a notice in writing from a member of the Company proposing his candidature for the office of a Director be and is hereby appointed

as Director of the Company liable to retire by rotation."

7. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a SPECIAL RESOLUTION.

"RESOLVED THAT pursuant to Section 21 of the Companies Act, 1956, and subject to the approval of the Central Government, the name of the Company be changed from Gujarat Cycles Limited to Munjal Auto Industries Limited."

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 the 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. An explanatory statement pursuant to Section 173 of the Companies Act, 1956, in respect of business under item Nos. 5, 6 & 7 set above is annexed hereto.
3. The Share Transfer Books and Register of Members of the Company will remain closed from 16th August, 2001 to 20th August, 2001 (both days inclusive). Members are requested to notify immediately the change of address, if any, to our Registrar and Share Transfer Agent at the following address :

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

4. All documents referred to in the above Notice and the accompanying Explanatory Statement are open for inspection at the Registered Office of the Company on all working days (except Sundays and holidays) between 10.00 A.M. to 1.00 P.M. up to the date of Annual General Meeting.

Registered Office:
187, GIDC Estate
Waghodia - 391 760
Dist. Baroda (Gujarat)

Ludhiana
31st July, 2001

By Order of the Board
For **Gujarat Cycles Limited**

Alok Nidhi Gupta
Company Secretary



EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956, SETTING OUT THE MATERIAL FACTS RELATING TO BUSINESS UNDER ITEM NOS. 5, 6 & 7 AS SET OUT IN THE NOTICE.

ITEM NO. : 5 & 6

The Board of Directors, at its meeting held on 31st October, 2000 appointed Mr. Naresh K. Chawla as an Additional Director, in accordance with the provisions of Section 260 of the Companies Act, 1956 and will hold office up to the ensuing Annual General Meeting. Mr. Naresh K. Chawla is an M.B.A. and Post Graduate in Economic Decision Analysis from Boston University, Brussels. He is a gold medallist and recipient of Bhaskar Memorial Prize in Management. He has over 38 years of wide and versatile professional experience and also worked as Consultant to the World Bank/IDA assisted projects. Mr. Chawla has been associated with National Dairy Development Board for almost 30 years and superannuated as its Executive Director. He is presently rendering advisory services to various domestic and international bodies corporate.

Mr. Mahendra Sanghvi was appointed as an Additional Director on 31st July, 2001 by the Board of Directors. He will cease to hold office at the ensuing Annual General Meeting. Mr. Sanghvi has a Bachelor Degree in Science besides a Bachelor Degree in Chemical Engineering from Wayne State University, Michigan, U.S.A. and is presently the Managing Director (Chief Executive officer) of Shaily Engineering Plastics Limited. He has held various key positions with leading Plastic Engineering Industries abroad and has wide experience of about 28 years in business and industry.

The Board considers that the Company would be immensely benefited by the varied experience and valued guidance & advice that would be rendered by them from time to time and, commends passing of the Ordinary Resolutions contained in Item Nos. 5 & 6 of the accompanying Notice.

None of the Directors of the Company are interested in the Resolutions set out at item Nos. 5 & 6.

ITEM NO. 7

The Company has achieved a turnaround of its operations in the last two years with the change in its focus of business viz. from bicycle business to auto engineering/components business. In the last two years, bulk of its turnover and the activities of business are in the auto engineering/components. In the foreseeable future, auto engineering/components will continue to be the Company's mainstay of business. Therefore, it would be appropriate now to consider changing the existing name "Gujarat Cycles Limited", which connotes the Company's main business to be related with bicycles to another name, which would closely identify it with its current mainstay of business i.e. auto engineering/components.

In view of this, the Board proposes to change the name of the Company from Gujarat Cycles Limited to Munjal Auto Industries Limited, which will be reflective of Company's current nature of operations.

None of the Directors Company is interested in the resolution set out in item No. 7.

Registered Office:
187, GIDC Estate
Waghodia - 391 760
Dist. Baroda (Gujarat)

Ludhiana
31st July, 2001

By Order of the Board
For **Gujarat Cycles Limited**

Alok Nidhi Gupta
Company Secretary



GUJARAT CYCLES LIMITED

Regd. Office : 187, GIDC INDUSTRIAL ESTATE, WAGHODIA - 391 760
Dist. BARODA (GUJARAT)

16TH ANNUAL GENERAL MEETING ATTENDANCE SLIP

Folio No. : _____

No of Shares Held : _____

D.P. Id. * _____

Client Id.* _____

	Name (s) in full	Father/Husband's Name	Address as Regd. with the Company
1.	_____	_____	_____
2.	_____	_____	_____
3.	_____	_____	_____

I/We hereby record my/our presence at the 16th Annual General Meeting of the Compny being held at Regd. Office of the Company at 187, GIDC Industrial Estate, Waghodia-391 760, Dist. Baroda (Gujarat) on Thursday, the 30th August, 2001 at 3:00 p.m.

Signature of the Member(s)/Proxy

1. _____ 2. _____ 3. _____

* Applicable for members holding share in electronic form

Notes :

1. A Member / Proxy attending the meeting must complete this Attendance Slip and hand it over at the entrance of meeting hall.
2. Member intending to appoint a proxy, should complete the Proxy Form printed below and deposit it at the Company's Registered Office not later than 48 hours before the commencement of the meeting.



GUJARAT CYCLES LIMITED

Regd. Office : 187, GIDC INDUSTRIAL ESTATE, WAGHODIA - 391 760
Dist. BARODA (GUJARAT)

16TH ANNUAL GENERAL MEETING PROXY FORM

Folio No. : _____

No of Shares Held : _____

D.P. Id. * _____

Client Id.* _____

	Name (s) in full	Father/Husband's Name	Address as Regd. with the Company
1.	_____	_____	_____
2.	_____	_____	_____
3.	_____	_____	_____

being a member(s) of Gujarat Cycles Limited hereby appoint _____ of _____ or failing him / her _____ of _____ as my / our proxy to vote for me / us on my/ our behalf at the 16th Annual General Meeting of the Company to be held on Thursday, the 30th August, 2001 at 3.00 p.m. and any adjournment thereof.

Signature of the Member(s)

Signature of Proxy (s)

1. _____ 2. _____ 3. _____ 1 _____

2 _____

* Applicable for members holding share in electronic form

Note : The proxy should be deposited at the Registered Office of the Company not later than 48 hours before the commencement of the Meeting.

Affix
30 paise
Revenue
Stamp

**GUJARAT CYCLES LIMITED****16th Annual Report****Board of Directors****Satyanand Munjal, Chairman****Brijmohan Lall Munjal****Om Prakash Munjal****Vijay Munjal****Vikram C. Shah****Naresh K. Chawla (from October 31, 2000)****Mahendra Sanghvi (from July 31, 2001)****S. N. Mathur, BIFR Appointee****Sudhir Munjal, Managing Director****Anju Munjal, Whole-time Director****Neeraj Munjal, Whole-time Director****Committees of Directors****Audit Committee****Vikram C. Shah***Chairman***Naresh K. Chawla****Vijay Munjal****Shareholder Grievance Committee****Naresh K. Chawla***Chairman***Vikram C. Shah****Vijay Munjal****Ravi Sharma***AGM - Finance***Alok Nidhi Gupta***Company Secretary***Registered Office**

187, GIDC Estate

Waghodia - 391 760

Dist : Baroda (Gujarat)

Works

Baroda Unit : 187, GIDC Estate
Waghodia - 391 760
Dist : Baroda (Gujarat)

Binola Unit : Munjal Auto Components
58 KM Stone
Delhi-Jaipur Highway
Village : Binola
Dist : Gurgaon - 122 413
(Haryana)

Auditors**Vakil Jain & Hindocha***Chartered Accountants*

Vadodara

Bankers

State Bank of India

Punjab National Bank

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Chairman's Statement

Dear Shareholders,

We are no longer the Company we used to be, but we are not yet the Company we wish to be.

This sentence summarizes the stage your Company has reached at the end of March 2001 because the financial year ended that day has turned out to be satisfactory, having come through a long way and a rather arduous journey. The turnaround in the fortunes of your Company, which occurred in the last financial year 1999-2000, has further gained momentum in the current year with impressive gains achieved in both turnover and profitability. Net Profit in the current year of Rs. 482 lac reflects a further improvement in the operations of the Company. A remarkable turnaround that is reflected not only in the numbers it attained in the last two years but also in the quality of the results and its outlook of business.

Your Company, which changed the focus of its business last year from bicycle manufacturing to auto components manufacturing for two wheelers has established a further foothold in the business with the going on stream during the year of its second plant at Binola, in the state of Haryana, with state-of-the-art manufacturing facilities. The Company is poised to further consolidate its auto components business in the years to come since it has already emerged as one of the important ancillary units catering to the requirements of the motorcycle industry leader, Hero Honda Motors Limited for sheet metal/plated and cold/warm forging components for its motorcycles. With the full commissioning of Binola plant and impressive gains in productivity improvement and capacity utilization notched up at Baroda plant, your Company is confident of staying on even keels in the coming years.

However, there are some challenges that are looming in the horizon and the Company will have to strive further and grapple with the competitive forces to stay on course. Your Company has recognized the need to re-engineer itself, wherever possible, to compete in this competitive environment in terms of costs, quality and product innovation. We believe that successful companies get things right for their customers, employees, suppliers, shareholders and communities. Dear shareholders, we acknowledge your

patience thus far and are aware of the fact that returns to you from the Company have not begun as yet. If your Company is able to maintain a sustainable growth, and we are confident it will be able to do so, the returns to you from your Company will begin from not too distant a future. We seek your continuing cooperation in our commitment to operational excellence, combined with the will to integrate new technologies into our strategy/plans and the organizational structure that are the key to ensuring sustainable growth for your Company. We recognize that the financial health not only depends on extracting value, but also on creating value for all the stakeholders.

Rejuvenating your Company was far from easy. It would have been a mere impossible task without the commitment and support of its promoter Hero Cycles Limited and the main customer Hero Honda Motors Limited. Your Company gratefully acknowledges their tremendous support and encouragement. The motivation, dedication and the hard work of your Company's people all these years also deserve a special mention. The continuing support of the Government of Gujarat, Financial Institutions and Banks has always been a special feature in carrying out your Company's operations. We sincerely thank those who supported the Company during the period when the difficulties linked to its internal restructuring program were exacerbated by adverse market and other external conditions that had besieged its erstwhile bicycle business.

We have now taken up the challenge to offer and stay on course to the sustainable improvement in all aspects of Company's business by strengthening our existing capabilities and building new ones. Improved performance in the last two years leads your Company on to new challenges and new questions. Whilst your Company has learnt a lot from the restructuring, refocusing the business and the repositioning exercise, it also realizes that without sustainable, profitable growth, it will see its stakeholder credibility diminishing. This move will be more complex. The risks may be greater but they are not unmanageable thanks to our previous experience.

Ludhiana
31st July, 2001

Satyanand Munjal
Chairman

DIRECTORS' REPORT

The Directors have pleasure in presenting the Sixteenth Annual Report and the Audited Accounts of the Company for the year ended 31st March, 2001.

Financial Highlights

	(Rs. in Lac)	
	Year ended 31 st March, 2001	Year ended 31 st March, 2000
Sales and Other Income	7086.64	4040.35
Profit before Depreciation,		
Interest and Financial Expenses	937.38	574.40
Depreciation	256.90	153.95
Interest and Financial		
Expenses	184.00	129.91
Profit before Tax		
Provisions/Write-offs	496.48	290.54
Provision for Taxation	—	—
Miscellaneous Expenditure		
Written-off	14.11	8.64
Net Profit for the year	482.37	281.90
Prior Period Adjustments	42.37	8.10
Net Profit available		
for appropriation	440.00	273.80

Due to the past accumulated losses and to further consolidate financial position of the Company, Directors do not recommend a dividend for this year.

Annual Review

Operations of the Company, which turned around last year resulting in the Company earning profits for the first time, have improved further in the current year. Net profit for the year of Rs. 482.37 lac has increased impressively by 71% over the last year's profit of Rs. 281.90 lac. Sales and Other Income during the year aggregated to Rs. 7087 lac showing a significant increase of 75 % over the corresponding figure of Rs. 4040 lac in the previous year. Production and sales of rims, mufflers and gear blanks have witnessed a further spurt during the year, which has fetched higher turnover for the Company in the current year. With the completion of the second phase of the new manufacturing facilities at Binola (Haryana), the warm/cold forging unit at Binola is fully commissioned from November 2000. Significant growth in the volume of business in the year under review coupled with a further improvement in the working capital utilization have helped the Company to achieve the growth in the profitability.

Future Outlook

With the full commissioning of the warm/cold forging plant at Binola and the installation of a new electroplating plant at Waghodia, the Company is equipped to cater to the likely increase in the demand for rims, mufflers and the gear blanks for the motorcycles from its principal customer Hero Honda Motors Ltd. in the coming years. As you are aware, the Company's volume of business is driven by the

scale of operations of the principal customer, which continues to be the largest manufacturer of motorcycles in India, enjoying a very large share of the motorcycle industry. However, with the recent advent of liberalized norms for imports of motorcycles and the entry of new motorcycle manufacturers in India, the competitive pressure in the motorcycle industry is building up. Your Company, whose future prospects are linked with the happenings in the motorcycles industry will achieve the future growth rates in its operations and profitability in line with the performance of the motorcycle industry in India and HHML in particular.

Quality Accreditations

During the year, the Company's Waghodia plant was accredited by BVQI as the quality producer of auto components and awarded QS 9000 Certificate, which is a reflection of the Company's continuous commitment to produce quality goods. The Company's Waghodia plant was already accredited earlier with ISO 9002 Certification in 1997. The Company will continue to pursue vigorous efforts of Total Quality Management in all spheres of its business.

Finance

Upon the full commissioning of the Company's Binola plant and the installation of new plating plant at Waghodia during the year under review, the Company has fully availed the term loans of Rs. 10 crore and Rs. 4.50 crore sanctioned by Punjab & Sind Bank and State Bank of India respectively. Also during the year, the Company has fully repaid, on schedule, the earlier term loans availed from the institutions/banks and the LEEP loan from the Government of Gujarat.

Modified Rehabilitation Scheme

A Modified Rehabilitation Scheme for the Company sanctioned by the BIFR in August'99 is under implementation. The Company's revival is on course and the obligations/commitments are met with as prescribed in the said Scheme.

Directors' Responsibility Statement

In compliance of Section 217(2AA) of the Companies Act, 1956 as amended by the Companies (Amendment) Act, 2000, the Directors of your Company confirm:

- that the applicable Accounting Standards have been followed in the preparation of Annual Accounts and that there are no material departures;
- that such accounting policies have been selected and applied consistently and such judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2001 and of the Profit of the Company for the year ended on that date;
- that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding assets of the Company and for preventing and detecting fraud and other irregularities;



GUJARAT CYCLES LIMITED

- that the Annual Accounts have been prepared on a going concern basis.

Board of Directors

The Board of Directors at its meeting held on 31st October, 2000 and 31st July, 2001 appointed Mr. Naresh K. Chawla and Mr. Mahendra Sanghvi as Additional Directors respectively, who hold their offices until the ensuing Annual General Meeting of the Company.

Mr. Chawla and Mr. Sanghvi, who are independent professionals and having held senior executive positions in various organizations in India and abroad, will be important contributory in the Board of your Company. The Board therefore feels that Mr. Chawla and Mr. Sanghvi should be appointed as Directors of the Company and to this end, proposes to seek approval of the members of the Company. A brief summary of their qualifications and experience is given hereunder:

Name	Qualification	Experience
Mr. Naresh K. Chawla	Graduate in Dairying, PG Diploma in Industrial Management, MBA, PG in Economic Decision Analysis	Over 38 years of wide and versatile professional experience and retired from National Dairy Development Board as its Executive Director
Mr. Mahendra Sanghvi	Chemical Engineering from Wayne State University, Michigan, U.S.A., Diploma in Plastics Engineering from University of Toronto, Canada and a Bachelor of Science	Widespread and enriched experience of about 28 years in plastic engineering industry both in India and abroad and presently the Managing Director (CEO) of Shaily Engineering Plastics Ltd.

The Company has received notices from the members of the Company proposing candidatures of Mr. Chawla and Mr. Sanghvi for the said appointments.

Mr. Om Prakash Munjal and Mr. Vijay Munjal, the existing Directors will retire by rotation at the end of the forthcoming Annual General Meeting and are eligible for re-appointment.

Dematerialization of shares

Pursuant to the direction of Securities and Exchange Board of India (SEBI), the Company has entered into Tri-partite Agreements during the year with NSDL and CDSL and the Company's Registrar & Transfer Agent for dematerialization of the Company's shares. Dematerialized form of trading would facilitate quicker transfers and also save stamp duty on transfer of shares. An option is also available to the

members to keep the shares either in the physical form or in the electronic form with a 'Depository Participant'. The shares, once dematerialized, can also be rematerialized at any time. It would be of interest for members to know that the trading in Company's shares will be compulsorily in dematerialized form, as per the SEBI directive, effective from 28th May 2001.

Industrial Relations

During the year, industrial relations in the Company have remained cordial.

Environmental Compliance

The Company's both manufacturing facilities at Waghodia and Binola require environmental approval such as air, water and hazardous waste authorization from respective Pollution Control Boards and are in compliance with the present environmental legislation. The Company has an internal environment management program to conduct environmental audits at regular intervals in place.

New initiatives taken during the year include installation of a new boiler/steam system with sophisticated microprocessor based facility at Waghodia, which has reduced air pollution significantly and also helped in achieving better fuel economy.

Energy, Technology & Foreign Exchange

The particulars as prescribed under 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 are given in the Annexure 'A' that forms part of this Report.

Particulars of Employees

The statement under sub-section (2A) of Section 217 of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, as amended and forming part of this Directors' Report is given in Annexure 'B'.

Auditors

Company's Statutory Auditors M/S Vakil Jain & Hindocha, Chartered Accountants, retire at the forthcoming Annual General Meeting of the Company. The Company has received a certificate from them 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.

Acknowledgement

The Board places on record its appreciation for the valuable support the Company is receiving from its principal customer, Hero Honda Motors Ltd. It would also like to acknowledge the cooperation and necessary help received from Hero Group, Financial Institutions, Banks and the employees of the Company during the year.

Place : Ludhiana
Date : 31st July, 2001

By Order of the Board
Satyanand Munjal
Chairman