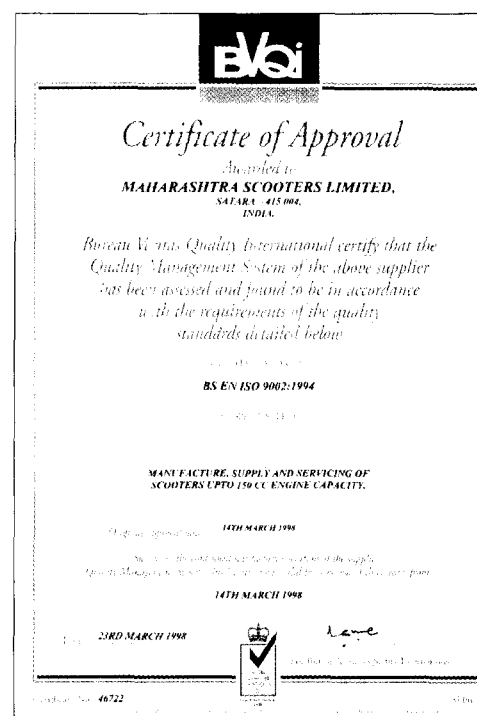
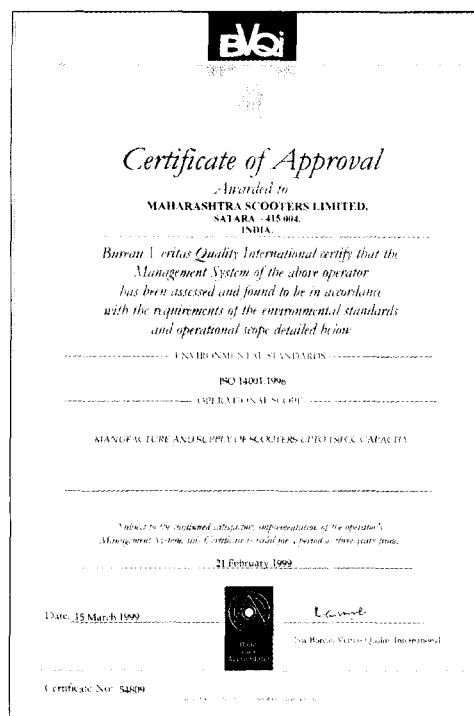


Annual Report

1998 -1999

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**24th Annual General Meeting : Friday, the 16th day of July, 1999
 at 1.00 p.m. at the Registered Office.**

For Shareholders and proxies attending the meeting, local transport is being arranged.
 For details, please contact Registered Office.

**Board of Directors**

Rahul Bajaj
Chairman

Lingraj Vallyal

R.M. Pathan

D.S. Mehta

Jayant H. Shah

Madhur Bajaj

B.V.Patil (upto 26-10-1998)

S.P.Wagh (upto 10-05-1999)

A. S. Nigote (from 26-10-1998)

D.A.Bhole (from 22-03-1999)

Chief Executive

Ranjit Gupta

General Manager

S.R.Rege

**Controller of Finance &
Company Secretary**

J. Sridhar

Auditors

P.C. Parmar & Co., Pune

Cost Auditors

P.M. Nanabhoy & Co., Mumbai

Bankers

Central Bank of India

Registered office

C/o Bajaj Auto Limited

Mumbai-Pune Road, Akurdi,

Pune 411 035.

Tel. Nos. (020) - 775811-12-13

Fax No. (020)-772764

Works

Plot No. C-1, M.I.D.C. Area,

Satara 415 004.

Maharashtra.



MAHARASHTRA SCOOTERS LTD.

..... 24 th Annual Report 1998 - 99

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Your Directors have pleasure in presenting their Twenty-fourth Annual Report and Audited Statement of Accounts for the year ended 31st March, 1999.

2.1 Your Company registered a reasonable growth during the year under review, despite fairly difficult market conditions, which prevailed in the scooter industry during a major portion of the year. Your Company expects to show a modest growth in the current year.

2.2 Your Company recorded a 5.96% increase in the Production of scooters from 145,016 Nos. during the previous year to 153,716 Nos. during the year under review.

2.3 Sale of scooters went up by 10.31% from 138,337 Nos. in the previous year to 152,616 Nos. during the year under review.

2.4 With Other Income during the year under review having gone up from Rs.118 Million during the previous year to Rs.130 Million during the year under review, Sales and Other Income in aggregate recorded an increase of 16% over the previous year from Rs.2758 Million to Rs.3200 Million in the year under review.

4.1 Your Directors recommend for consideration of shareholders at the Annual General Meeting, payment of dividend of Rs. 2 per share on the paid-up capital of the Company i.e., on 11,428,568 equity shares of Rs.10 each for the year ended 31st March, 1999. The dividend, if approved, will absorb Rs. 23 million.

3. FINANCIAL RESULTS

	Rs. in million
	1997-98
Sales and Other Income	2758
Gross Profit before Interest and Depreciation	217
Interest	-
Profit before Depreciation	217
Depreciation	14
Profit before Taxation	203
Provision for Taxation	56
Net Profit	147
Disposable surplus after Adjustments for earlier years	147
Provision for Proposed Dividend	23
Provision for Dividend Tax	7
Balance carried to General Reserve	122

5.1 The overall growth rate of two-wheeler market picked up in 1998-99 and was at an encouraging figure of 11.85%. However, due to the significant

shift witnessed over the last few years in the composition of the two-wheeler market to motorcycles, the scooter market continued to stagnate in 1998-99.

5.2 Against the above backdrop, your Company during the year under review, improved upon its market share slightly to 12.6% of the Indian scooter market (excluding scooterettes), as against 12% in the previous year.

5.3 Under the guidance and superintendence of your Company's principals viz., Bajaj Auto Ltd., thrust on after-sales-service continued through further improvements in the dealer workshop infrastructure, systems and training and through a clearer focus on customer satisfaction and quality improvements.

information as per clause (e) of sub-section (1) of section 217 of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 for the year ended 31st March, 1999 is given below:

6.1 Conservation of Energy:

6.1.1 As in the previous years, your Company took several steps during the year under review, which helped your Company effect significant savings in the consumption of power, fuel, oil, water and other energy sources.

6.1.2 Bio-gas Plant and Vermiculture Plant operating on canteen wastes are working smoothly. Solar heaters for Canteen requirements are also operative.



6.1.3 Your Company has maintained power factor of 0.98 for the last several years, ensuring optimum efficiency levels in energy utilisation.

6.1.4 Your Company has, during the year under review, installed a Pre-Treatment-cum-Cathodic Electro Deposition Plant, which would help in conserving natural resources. This eco-friendly plant is also expected to give a boost to the product quality.

6.1.5 Your Company has, during the year under review, installed 2 (Nos.) Fuel and Energy efficient TP-B-15 thermopacs.

6.1.6 Your Company has also set up a laboratory for on-line monitoring of effluent samples and ambient air quality.

6.1.7 Drip Irrigation System and Sprinklers are provided at the garden areas to ensure efficient use of water.

6.2 Technology Absorption, Adaptation and Innovation:

6.2.1 As reported in the past, your Company has Technical Collaboration Agreement with Bajaj Auto Limited and through continuous interaction, such product and technology improvements achieved by their Research and Development Department as are relevant to the products of your Company are duly incorporated by your Company from time to time. As such, no separate expenditure has been incurred by your Company on Research and Development activities during the year under review. Your Company has not imported any technology in view of the technical arrangement with Bajaj Auto Limited.

6.3 Foreign Exchange Earnings and Outgo:

6.3.1 Your Company has not undertaken any activity relating to exports during the year under review.

6.3.2 During the year under review, the total foreign exchange used was Rs.3.19 million, while foreign exchange earnings were Nil.

7. PARTICULARS OF EMPLOYEES:

7.1 Information as per sub-section (2A) of section 217 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, 1999 is given in Annexure I to this report.

8. QUALITY:

8.1 The Bureau Veritas Quality International (BVQI), which had awarded your Company ISO 9002

Certification in the previous year, has confirmed the certification, after conducting the Surveillance Audit during the year under review.

9. SAFETY, HEALTH AND ENVIRONMENT:

9.1 Your Company continues to accord high priority for ensuring highest safety standards in operations at every level. Through a declared policy on Safety and Health, your Company has once again kept the accident levels very low during the year under review.

9.2 Your Company is modifying the existing Fire Hydrant line as per Tariff Advisory Committee requirements to ensure additional safety at the Plant. Various training programmes to improve safety and environment awareness amongst the employees were organised during the year under review.

9.3 Your Company, in line with its environmental-friendly philosophy, has obtained a Certificate of Approval for Environmental Management Systems i.e. ISO 14001 from Bureau Veritas Quality International (BVQI), which completed the final assessment audit of your Company's Plant at Satara in February, 1999.

9.4 M/s. Technoenviro Consultants, Environmental Auditors, in their Audit Report, have commended your Company for the several steps taken and innovative techniques adopted towards environmental management, conservation, safety and upgradation.

10. DEPOSITORY:

10.1 Your Company entered into an Agreement with National Securities Depository Ltd. (NSDL) in December, 1998 for enabling investors to hold and trade in the Company's shares in electronic form.

10.2 Any shareholder opening a Securities Account with a Depository Participant (DP) can now hold his shares in your Company in the form of an electronic entry. This is expected to eliminate the need to hold any paper securities and the problems of fraud and forgery associated with it, besides leading to a fast and efficient trade and settlement system.

10.3 The adoption of this modern automated system necessitates certain alterations to the provisions of the Articles of Association of the Company. An appropriate Special Resolution for effecting these alterations is being proposed in the ensuing Annual General Meeting for shareholders' approval.


11. INDUSTRIAL RELATIONS:

- 11.1 Industrial relations continued to be harmonious and cordial during the year under review. A previous wage agreement with the Workers' Union expired in November, 1998 and negotiations are presently on for a fresh settlement.

12. DIRECTORS:

- 12.1 Shri B.V. Patil, a nominee of Western Maharashtra Development Corporation Ltd. resigned as Director during the year under review and in the vacancy caused by his resignation, Shri A.S. Nigote was appointed a Director of the Company on 26th October, 1998.
- 12.2 In another vacancy existing in the Board, Shri D.A. Bhole, a nominee of Western Maharashtra Development Corporation Ltd. was appointed a Director of the Company on 23rd March, 1999.
- 12.3 Shri S.P. Wagh, a nominee of Western Maharashtra Development Corporation Ltd. resigned as Director on 10th May, 1999 and the vacancy caused by his resignation is yet to be filled.
- 12.4 Your directors place on record the valuable contribution made by Shri B.V. Patil and Shri S.P. Wagh during their tenure as Directors of the Company.
- 12.5 Shri Madhur Bajaj and Shri A.S. Nigote retire by rotation and being eligible, offer themselves for re-appointment as Directors.

13. CASH FLOW STATEMENT:

- 13.1 A Cash Flow Statement for the year 1998-99 is included in the annexed Statement of Accounts.

14. ADDITIONAL DISCLOSURES:

- 14.1 As in the previous year, your Company, as part of good corporate practice and as per recommendations made by the CII Task Force in its Report on Desirable Corporate Governance, makes the following voluntary disclosures for the benefit of the shareholders.
- 14.2 Particulars of Directors, their relatives and the remuneration/ commission drawn by them during the year under review are set out in Annexure 2 to this report.
- 14.3 Your Company has not given any loan to its Directors or their relatives during the year under review.
- 14.4 Your Company has not appointed any sole selling agent.
- 14.5 Segment-wise details of Production and Sales are

not given, as your Company is focussed only on Scooters, the details of which are already given in point No.2 of this report.

- 14.6 A Debt Exposure Statement, which may be read in conjunction with the Schedules to the Balance Sheet on Secured and Unsecured Loans, is set out in Annexure 3 to this Report.

- 14.7 No material differences in assets and liabilities have taken place between the end of the financial year and the date of this Report.

- 14.8 Items appearing in the Annual Accounts have been treated appropriately in accordance with the Accounting Standards prescribed by the Institute of Chartered Accountants of India and as explained in the Statement of Significant Accounting Policies attached to the Statement of Accounts.

- 14.9 Share-holding pattern of your Company as on 31st March, 1999 in terms of Distribution of Shareholding as well as category-wise Shareholding are given in annexure 4,5 & 6 to this Report.

- 14.10 A Table showing the Monthly Highs and Lows of share prices during the year under review on Pune, Mumbai and National Stock Exchanges and some basic data for the use of the shareholders are included in Annexure 7 to this Report.

15. AUDITORS' REPORT :

- 15.1 The observations made in the Auditors' Report read together with the relevant notes thereon are self-explanatory and hence, do not call for any further comments under section 217 of the Companies Act, 1956.

16. REAPPOINTMENT OF MANAGER UNDER THE COMPANIES ACT, 1956:

- 16.1 Shri Ranjit Gupta was appointed as Manager pursuant to Section 269 of the Companies Act, 1956 at the Annual General Meeting of the Company held on 18th June, 1994 for a period of five years with effect from 1st April, 1994. Since his term as Manager came to an end on 31st March, 1999, Shri Gupta has been re-appointed as Manager of the Company under the said Act by the Board of Directors for a further period of 5 years with effect from 1st April, 1999 on the terms and conditions set out in the Resolution in the Notice for the ensuing Annual General Meeting. The Resolution is commended for the approval of the shareholders at the meeting.

17. INFORMATION TECHNOLOGY:

- 17.1 Your Company continued to make significant investments in the Information Services/ Technology area to cope with the growing

MAHARASHTRA SCOOTERS LTD.

information necessary to manage the operations more effectively.

- 17.2 Your Company has taken reasonable steps to ensure that it is prepared for the year 2000 (Y2K) date change. The entire process of identification of the impact of Y2K change has been completed and necessary action taken to gear your Company for a smooth transition into the next millennium.

18. AUDITORS:

- 18.1 The Auditors, M/s. P.C. Parmar & Company, Chartered Accountants, Pune, who retire at the conclusion of the ensuing Annual General Meeting are eligible for re-appointment. Since this is a Company in which Western Maharashtra Development Corporation Limited holds not less than 25% of the subscribed capital of the Company, the appointment of Auditors is required to be made by a Special Resolution, as required by section 224-A of the Companies Act, 1956. The Shareholders are requested to appoint the Auditors and fix their remuneration.

- 18.2 Your Company has received a Government Order for conduct of the audit of Cost Accounts, maintained by the Company for the year ending 31st March, 2000. Mr. A.P. Raman, Cost Accountant, Pune has been appointed as cost auditor in place of M/s. P.M. Nanabhoy & Co., Cost Accountants, Mumbai to conduct the said audit. The change in cost auditor is made for administrative and operational convenience. Government approval in this regard has been obtained.

On behalf of the Board of Directors

Rahul Bajaj
Chairman

Pune, 10th May, 1999.

ANNEXURE 1 TO DIRECTORS' REPORT

PARTICULARS OF EMPLOYEES [PARA 7.1 OF DIRECTORS' REPORT]

Particulars of employees as per Section 217(2A)(b)(ii) read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March, 1999.

Sr. No.	Name	Designation/ Nature of Duties	Qualifications	Age (Years)	Gross Remune- ration (Rs.)	Date of Commence- ment of employment	Total experi- ence (Years)	Last employment and Designation
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A. Employed throughout the year and in receipt of remuneration of not less than Rs.600,000 per annum:

1.	Rege S.R.	General Manager	B.E. (Mech), M.Tech, MMS, MIE, MISME.	60	880,379	01-04-1994	35	Bajaj Auto Ltd. Dy.Gen.Manager (Quality Audit)
2.	Sridhar J.	Controller of Finance & Company Secretary	B.Com., FCA, FCS, LL.B., DBM, MMS, Post Membership Course of ICSI-Group I	44	874,995	30-04-1979	22	Marathe Textile Group Company Secretary

B. Employed for part of the year and in receipt of remuneration of not less than Rs.50,000 per month:- Nil

Notes:

- The gross remuneration shown above is subject to tax and includes Salary, Bonus, Allowances, Company's Contribution to Provident Fund, Superannuation and Gratuity Schemes and monetary value of other perquisites calculated on the basis of Rules prescribed in this behalf by the Department of Company Affairs.
- None of the employees mentioned above is a relative of any Director of the Company.
- The services of employee at Sr.No.1 are loaned by Bajaj Auto Limited and are on charge-basis.


ANNEXURE 2 TO DIRECTORS' REPORT
STATEMENT SHOWING DIRECTORS/THEIR RELATIVES AND REMUNERATION/ COMMISSION PAID/PAYABLE TO THEM IN 1998-99 [PARA 14.2 OF DIRECTORS' REPORT]

	Name	Position	Remuneration			
			Sitting Fees	Salary & Perks	Commission	Total
1.	Rahul Bajaj	Chairman	7,500	Nil	Nil	7,500
2.	Lingraj Valyal	Director	1,500	Nil	Nil	1,500
3.	R.M. Pathan	Director	7,500	Nil	Nil	7,500
4.	D.S. Mehta	Director	4,500	Nil	Nil	4,500
5.	Jayant H.Shah	Director	7,500	Nil	Nil	7,500
6.	Madhur Bajaj	Director	6,000	Nil	Nil	6,000
7.	B.V. Patil	Director	3,000	Nil	Nil	3,000
8.	S.P. Wagh	Director	6,000	Nil	Nil	6,000
9.	A.S. Nigote	Director	4,500	Nil	Nil	4,500
10.	D.A. Bhole	Director	Nil	Nil	Nil	Nil

ANNEXURE 3 TO DIRECTORS' REPORT
DEBT EXPOSURE STATEMENT [PARA 14.6 OF DIRECTORS' REPORT]

	AMOUNT OUTSTANDING		Rate of interest p.a. (including tax)	Repayment
	As on 31-3-1999 (Rs.in Million)	As on 31-3-1998 (Rs.in Million)		
Long Term:				
Secured	Nil	Nil	N.A.	N.A.
Unsecured				
Sales Tax Loan from SICOM LTD.	9	9	Interest-free	In specified annual instalments; Repayment to be completed by 2014.
Sales Tax Deferral Liability from SICOM LTD.	4	—	Interest-free	
Total Long-Term Debt	13	9		
Short-Term:				
Cash Credit	91	55	13.77 to 14.79 %	Repayment on demand.
Total Short-Term Debt	91	55		
Grand Total	104	64		

**ANNEXURE 4 TO DIRECTORS' REPORT****DISTRIBUTION OF SHAREHOLDING AS ON 31-3-1999 [PARA 14.9 OF DIRECTORS' REPORT]**

No. of Equity Shares held	No. of Shares held	% to Total Shares	No. of Shareholders	% to Total Shareholders
1 to 100	731,606	6.40	8,601	44.35
101 to 500	2,790,721	24.42	9,637	49.69
501 to 1000	620,897	5.43	922	4.76
1001 to 5000	383,194	3.35	207	1.07
5001 and above	6,902,150	60.40	25	0.13
Total	11,428,568	100.00	19,392	100.00

ANNEXURE 5 TO DIRECTORS' REPORT**CATEGORY-WISE DISTRIBUTION OF SHAREHOLDING AS ON 31-3-1999 [PARA 14.9 OF DIRECTORS' REPORT]**

Sr. No.	Category	No. of Shareholders	No. of Shares Held	% to Total Shares
1.	Promoters	2	5,828,560	51.00
2.	Public Financial Institutions and Banks	7	698,502	6.11
3.	Mutual Funds	5	238,070	2.08
4.	Bodies Corporate	194	197,038	1.73
5.	Non-Resident Individuals	18	13,868	0.12
6.	Resident Individuals	19,166	4,452,530	38.96
	Total	19,392	11,428,568	100.00

ANNEXURE 6 TO DIRECTORS' REPORT**BREAK-UP OF SHARES IN PHYSICAL & ELECTRONIC MODE AS ON 31-3-1999 [PARA 14.9 OF DIRECTORS' REPORT]**

Mode	No. of Shareholders	% to Total Shareholders	No. of Shares	% to Total Shares
Physical	19,296	99.50	11,208,156	98.07
Electronic	96	0.50	220,412	1.93
Total	19,392	100.00	11,428,568	100.00


ANNEXURE 7 TO DIRECTORS' REPORT
SHAREHOLDERS' INFORMATION [PARA 14.10 OF DIRECTORS' REPORT]

- 1 Date of book closure : July 1, 1999 to July 16, 1999 (both days inclusive)
- 2 Date & venue of the Annual General Meeting : At 1.00 p.m. on July 16, 1999 at Registered Office
- 3 Dividend payment : On or around July 16, 1999
- 4 Listing on Stock Exchanges at : Pune, Mumbai, National Stock Exchanges
- 5 Registered Office : C/o. Bajaj Auto Ltd., Mumbai-Pune Road, Akurdi, Pune-411 035
- 6 Stock Exchange data

MONTHLY HIGH/LOW PRICES OF SHARES ON STOCK EXCHANGES

MONTH		MUMBAI STOCK EXCHANGE			NATIONAL STOCK EXCHANGE		
		High	Low	Average of High & Low	High	Low	Average of High & Low
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
April	1998	94.40	70.25	82.33	91.70	72.00	81.85
May	1998	81.85	68.50	75.18	81.00	66.90	73.95
June	1998	68.50	58.75	63.63	68.80	60.50	64.65
July	1998	69.00	60.00	64.50	69.05	59.00	64.03
August	1998	66.00	56.90	61.45	65.25	59.00	62.13
September	1998	70.70	58.00	64.35	69.70	57.05	63.38
October	1998	75.25	59.10	67.18	76.95	57.55	67.25
November	1998	74.80	66.05	70.43	74.60	66.35	70.48
December	1998	70.60	61.25	65.93	69.90	62.50	66.20
January	1999	73.70	61.90	67.80	74.50	60.70	67.60
February	1999	61.95	55.00	58.48	60.30	55.00	57.65
March	1999	77.40	56.05	66.73	80.45	55.30	67.88

Note: As per information received from Pune Stock Exchange, the Company's Shares were not quoted in their Exchange during 1998-99.