

Report  Junction

MAHARASHTRA SCOOTERS LTD.



Celebrating
25
The Silver Jubilee

Annual Report 1999 - 2000

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25th Annual General Meeting :
Friday, the 28th July, 2000 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 Valyal (Upto 13-03-2000)

R. M. Pathan

D. S. Mehta

Jayant H. Shah

Madhur Bajaj

B. V. Patil (From 17-01-2000)

V. G. Naikawadi (From 17-01-2000)

A. S. Nigote (Upto 17-01-2000)

D. A. Bhole (Upto 17-01-2000)

Audit Committee

Jayant H. Shah
Chairman

D. S. Mehta

B. V. Patil

Chief Executive

Ranjit Gupta

General Manager

S. R. Rege

Controller of Finance & Company Secretary

J. Sridhar

Auditors

P. C. Parmar & Co.,
Pune

Cost Auditor

A. P. Raman, Pune

Bankers

Central Bank of India

Registered Office

C/o. Bajaj Auto Limited,
Mumbai-Pune Road,
Akurdi, Pune 411 035

Works

Plot No. C-1, M.I.D.C.
Area, Satara, 415 004
Maharashtra


MAHARASHTRA SCOOTERS LTD.

Registered office:
C/o Bajaj Auto Limited,
Mumbai-Pune Road, Akurdi,
Pune 411 035.

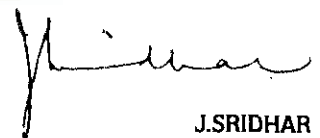
NOTICE:

NOTICE is hereby given that the Twenty-fifth Annual General Meeting of the shareholders of MAHARASHTRA SCOOTERS LIMITED will be held on Friday, the 28th day of July, 2000 at 1.00 p.m. at the Registered Office of the Company at C/o.Bajaj Auto Limited, Mumbai-Pune Road, Akurdi, Pune-411 035 to transact the following business:

1. To consider and adopt the audited Balance Sheet as at 31st March, 2000 and Profit and Loss Account of the Company for the year ended on that date and the Directors' and Auditors' Reports thereon.
2. To note the payment of interim dividend and to declare it as final dividend for 1999-2000.
3. To appoint a Director in place of Shri D.S. Mehta, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri V.G. Naikawadi, who retires by rotation and being eligible, offers himself for re-appointment.
5. To consider and, if thought fit, to pass with or without modifications, the following resolution as a **Special Resolution:-**

"RESOLVED pursuant to Section 224-A of the Companies Act, 1956 that M/s. P.C.Parmar & Company, Chartered Accountants, Pune, the retiring Auditors of the Company, be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company, on a remuneration of Rs.250,000 (Rupees Two lacs fifty thousand only) plus Service Tax as applicable and out-of-pocket, travelling and living expenses."

By Order of the Board
For MAHARASHTRA SCOOTERS LTD.


J.SRIDHAR
CONTROLLER OF FINANCE
& COMPANY SECRETARY

15th May, 2000

NOTES:

1. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of item No.5 is annexed.
2. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Monday, the 24th day of July, 2000 to Friday, the 28th day of July, 2000, both days inclusive.
4. Shareholders are requested to advise the Company/DP immediately of any change in their address.
5. Pursuant to Section 205-A of the Companies Act, 1956, all unclaimed dividends upto the financial year 1994-95 have been transferred to the General Revenue Account of the Central Government. Shareholders, who have not encashed the Dividend Warrants for the said period, are requested to claim the amount from the Registrar of Companies, Maharashtra, Pune.

Consequent upon the amendment in Section 205A of the Companies Act, 1956 and introduction of Section 205C by The Companies (Amendment) Act, 1999, the amount of dividend remaining unclaimed for a period of seven years shall hereafter be transferred to the Investor Education and Protection Fund.

The unclaimed dividends for the following accounting years will be deposited by the Company in the Investor Education and Protection Fund on the dates specified against each of the years:

Year	Date
1995-96	03-10-2003
1996-97	05-09-2004
1997-98	04-10-2005
1998-99	27-08-2006
1999-2000	07-09-2007

Shareholders, who have not encashed the Dividend Warrants for the above years are, therefore, requested to immediately forward the same to the Company for payment.

6. Register of Contracts with Companies and Firms in which directors are interested under section 301 of the Companies Act, 1956 would be open for inspection to the Members at the Registered Office of the Company on all working days, except on Thursdays between 11.00 a.m. and 2.00 p.m.
7. Register of Directors' shareholding under section 307 of the Companies Act, 1956 would be open for inspection to the Members at the Registered Office of the Company during the period beginning fourteen days before the date of Annual General Meeting and ending three days after the date of its conclusion, during office hours.
8. Although Clause 49 of the Listing Agreement is applicable to the Company from the financial year 2001-02, the information in respect of directors retiring by rotation and offering themselves for re-appointment as stipulated under the said clause has been provided voluntarily in the section on Corporate Governance incorporated in the Annual Report.

ANNEXURE TO NOTICE

EXPLANATORY STATEMENT

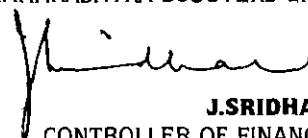
(As required by Section 173(2) of the Companies Act, 1956)

Item No.5

Section 224-A of the Companies Act, 1956 requires that in a company in which not less than 25% of the subscribed share capital is held by the Government, Government companies, nationalised banks and public financial institutions referred to therein, the appointment of auditors is to be made by a special resolution. Since Western Maharashtra Development Corporation Limited, a Government Company, holds more than 25% of the subscribed share capital of the Company, the special resolution in item No.5 is submitted to this meeting to accord sanction to the appointment of the said auditors and for payment of the said remuneration to them.

None of the Directors is interested or concerned in the resolution.

By Order of the Board
For MAHARASHTRA SCOOTERS LTD.



J.SRIDHAR
CONTROLLER OF FINANCE
& COMPANY SECRETARY

15th May, 2000



MAHARASHTRA SCOOTERS LTD.

DIRECTORS' REPORT TO THE MEMBERS

1. Your Directors have pleasure in presenting their Twenty-fifth Annual Report and Audited Statement of Accounts for the year ended 31st March, 2000.

2. OPERATIONS:

2.1 The Scooter Industry, almost throughout the year under review, witnessed fairly depressed market conditions. As a result, sale of scooters dropped by 3.88 % from 152,595 Nos. during the previous year to **146,673** Nos. during the year under review. Consequently, the production of scooters was reduced by 8.55% from 153,662 Nos. during the previous year to **140,530** Nos. during the year under review. The Company, however maintained its market share in the scooter market.

2.2 **Sales and Other Income** during the year under review, went up by 5.73% from Rs.3210 Million (inclusive of Rs.130 Million as Other Income) during the previous year to **Rs.3394** Million (inclusive of Rs.282 Million as Other Income) during the year under review mainly on account of the following:-

Interest on scooter booking advance amounting to Rs.127 Million has been written back as Income during the year under review, consequent upon a decision of the Supreme Court received during the year in Company's case which upheld as valid the terms of scooter booking stipulating that no interest was payable on the booking advance amounts in the event of cancellation, for whatever reason.

4. DIVIDEND:

4.1 Your directors have approved the payment of an Interim dividend of Rs.2 per share on the paid-up capital of the Company i.e., 11,428,568 equity shares of Rs.10 each for the year ended 31st March, 2000. The interim dividend absorbed Rs.23 million, apart from Corporate Dividend Tax thereon. Your directors do not recommend the payment of any additional dividend and the interim dividend already paid should be taken as the final dividend for the year ended 31st March, 2000 to the shareholders.

5. COMPETITION AND MARKET SHARE:

5.1 The overall growth rate of two-wheeler market during the year under review was reasonably satisfactory at a figure of about 11%. The scooter market, however, suffered due to the fast changing preferences of the customers for motorcycles over scooters and fell by around 9% during the year under review.

5.2 The market share of your company during the year under review was maintained at about 12% of the Indian scooter market (excluding scooterettes).

5.3 Under the guidance and superintendence of your Company's principals viz., Bajaj Auto Ltd., your Company continued to place a thrust on after-sales-service to gain better customer satisfaction and also introduced many innovative sales promotion schemes for the benefit of the customers.

6. DISCLOSURE OF SPECIAL PARTICULARS

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, 2000 is given below:

6.1 Conservation of Energy:

As in the previous years, your Company took several steps during the year under review to effect savings in the consumption of power, fuel, oil, water and other energy sources viz :

- Introduction of Metal Halide lamps in place of MV/SV lamps to get more lumens for same wattage.
- Optimising efficiency levels of electrical systems by maintaining the power factor at 0.96.
- Provision of overhead conveyors for material handling and thus reducing forklift operations.

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 inter-action, 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.1.67 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, 2000 is given in **Annexure 1** to this report.

8. QUALITY:

8.1 The Bureau Veritas Quality International (BVQI), which had awarded your Company **ISO 9002** Certification has reconfirmed 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. Various training programmes to improve safety and environment awareness amongst the employees were organised during the year under review.

9.2 Your Company has introduced Light Diesel Oil (LDO) in place of Furnace oil for ensuring cleaner and better fuel for Thermopacs.

9.3 Your Company has taken major steps like floor painting, provision of dust collectors, dust proof enclosure for Engine Assembly etc., to ensure an improved environment and quality.

9.4 Your Company has improved hazardous waste management/ storage systems and scrap-yards.

9.5 Your Company has introduced chrome-free process for pre-treatment of Aluminium and Mild Steel components.

9.6 Your Company has installed pressurised Fire Hydrant System to cater to critical areas in case of any accident/ mishap.

9.7 The Bureau Veritas Quality International (BVQI), which had awarded your Company **ISO 14001** certification for Environmental Management Systems has reconfirmed the certification, after conducting the Surveillance Audit during the year under review.

9.8 Environment Audit for the year 1999-2000 has been carried out as stipulated. M/s. Technoenvirom 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.

9.9 Your Company has taken many steps for maintaining "Green and Clean Environment" by way of tree-plantation, use of eco-friendly packing material, employee training programmes and other measures.

10. DEPOSITORY:

10.1 Your Company in line with its constant endeavour to provide best possible services to its shareholders, had 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. In continuation of that endeavour, your company has, during the year under review, also entered into an agreement with Central Depository Services (I) Ltd. (CDSL) in March, 2000 to provide yet another alternative to investors to hold and trade in the shares of your Company in electronic form.

10.2 Any shareholder opening a Securities Account with a Depository Participant (DP) can 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 With effect from 26th June, 2000, your Company's shares would be compulsorily tradeable in dematerialised form only. As on 31st March, 2000, 1,356,961 Nos. of equity shares comprising 12% of the total paid-up capital have been dematerialised.

11. INDUSTRIAL RELATIONS:

11.1 Industrial relations continued to be harmonious and cordial during the year under review.

11.2 A productivity-linked wage settlement valid from 1st April, 2000 until 30th September, 2003 was concluded with the Workmen's Union on 30th March, 2000. This settlement is expected to further promote harmonious industrial relations between the management and the union and enhance production, productivity and quality to ensure higher prosperity for all parties concerned.

12. DIRECTORS:

12.1 Shri A.S. Nigote and Shri D.A. Bhole, nominees of Western Maharashtra Development Corporation Ltd, resigned as Directors during the year under review and in the



MAHARASHTRA SCOOTERS LTD.

vacancies caused by their resignations, Shri B.V. Patil and Shri V.G. Naikawadi respectively were appointed Directors of the Company on 17th January, 2000.

12.2 The nomination of Shri Lingraj Valyal was withdrawn by Western Maharashtra Development Corporation Ltd. on 13th March, 2000 and the vacancy caused by this withdrawal remains to be filled.

12.3 Your Directors place on record the valuable contributions made by Shri Lingraj Valyal, Shri A.S. Nigote and Shri D.A. Bhole during their tenure as Directors of the Company.

12.4 Shri D.S. Mehta, and Shri V.G. Naikawadi 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 1999-2000 is included in the annexed Statement of Accounts.

14. CORPORATE GOVERNANCE:

14.1 Your Company, as part of good corporate governance, has been making significant voluntary disclosures for the benefit of shareholders right from the year 1996-97. This year even more voluntary disclosures are made by way of an exclusive report on corporate governance on the lines of the stipulations contained in the new clause 49 introduced in the listing agreements by the Stock Exchanges under the directives of Securities & Exchange Board of India, although these provisions apply to your Company only from the financial year 2001-02. There are several voluntary disclosures in the report relating to financial and non-financial aspects which are over and above what are stipulated under the said Clause 49 and aimed at enhancing the effectiveness of the board of directors and improving long-term shareholder value.

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. INFORMATION TECHNOLOGY:

16.1 Your Company continued to make significant investments in the Information Services/Technology area to cope with the growing information necessary to manage the operations more effectively.

16.2 Your Company had a smooth change-over to the new millennium, on account of the elaborate preparations made during the year under review to make all the concerned operations Y2K compliant. Some of the steps taken included special audits conducted by external experts and establishment of detailed contingency plans.

17. AUDITORS:

17.1 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.

17.2 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, 2001. Mr. A.P. Raman, Cost Accountant, Pune has been appointed as cost auditor to conduct the said audit.

On behalf of the Board of Directors

Rahul Bajaj
Chairman

15th May, 2000.

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, 2000.

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
A. Employed throughout the year and in receipt of remuneration of not less than Rs.600,000 per annum:								
1.	Laddha R.B.	Sr. Manager (Accounts & Stores)	B.Com., ICWA	51	601,001	04-06-1976	28	Bajaj Auto Ltd. Sr.Assistant
2.	Pande R.U.	Sr. Manager (Production)	DME, DBM	53	717,713	03-05-1977	32	Jaihind Industries Ltd. Foreman
3.	Rege S.R.	General Manager	B.E. (Mech), M.Tech, MMS, MIE, MISME.	61	1,341,631	01-04-1994	36	Bajaj Auto Ltd. Dy.Gen.Manager (Quality Audit)
4.	Sridhar J.	Controller of Finance & Company Secretary	B.Com., FCA, FCS, LL.B., DBM, MMS, Post Membership Course of ICSI-Group I	45	969,955	30-04-1979	23	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:**

1. 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.
2. None of the employees mentioned above is a relative of any Director of the Company.
3. The services of employee at Sr.No.3 are loaned by Bajaj Auto Limited and are on charge-basis.


REPORT ON CORPORATE GOVERNANCE

The items included in this Report are by and large with reference to the stipulations contained in the new Clause 49 of the Listing Agreement and may, therefore, be read accordingly.

1. A brief statement on Company's Philosophy on Code of Corporate Governance:

Good corporate governance relates to systems of supervision and monitoring that maximise long term shareholder value of a company, apart from addressing the interests of all other stakeholders in the enterprise. It is also a combination of four key elements viz.,

- Transparency – a commitment that the business is managed along transparent lines.
- Fairness – to all stakeholders in the company and especially to minority shareholders.
- Disclosure – of all relevant financial and non-financial information in an easily understood manner.
- Supervision and monitoring – of the company's activities by a professionally competent and independent board of directors

Good corporate governance deals with building trust with customers, suppliers, creditors and diverse investors – trust that the company will be managed properly, will successfully perpetuate its businesses, will protect and enhance the capital of its investors, and will increase corporate value for its shareholders. Maharashtra Scooters Ltd. (MSL) has believed in these principles since its inception and has always discharged its fiduciary obligations towards its shareholders. During the last three years, the company has gone further by steadily increasing the levels of disclosures in its annual reports – disclosures that go well beyond the statutes.

It is significant to note that as per the schedule of implementation provided under the new clause 49 of the Listing Agreement prescribed by National Stock Exchange and the Stock Exchange, Mumbai as per the directives of Securities and Exchange Board of India, the clause needs to be implemented by MSL only by the financial year 2001-2002. However, in light of the pro-active and progressive practices adopted by MSL in matters concerning corporate governance, it has included this report on corporate governance as required under clause 49 in the annual report for the year 1999-2000 itself i.e., two years ahead of the schedule. This needs to be viewed further in the context that a good number of these disclosures were given by it in the annual reports right from the year 1996-97.

2. Board of Directors:
Composition of the board:
Stipulation:

In case of a Company having a non-executive chairman as in the case of MSL, at least one-third of the board should comprise of independent directors and not less than one-half of the board should comprise of non-executive directors.

Implementation:

All the directors of MSL are non-executive directors and two out of seven directors are independent. As and when Western Maharashtra Development Corporation Ltd., nominates one independent director on the Board in one of the two vacancies which exist now, the condition regarding one-third of the board being independent would be met.

Ceiling on directorships/committee positions:
Stipulation:

A director shall not be a member in more than ten committees or act as chairman of more than five committees across all companies in which he is a director. No ceiling, however, has been prescribed for directorships, except the ceiling of 20 (Nos.) prescribed under section 275 of the Companies Act, 1956.

Implementation:

None of the directors of MSL hold directorships and committee positions more than what is stated as above.