

Scooters India Limited

(A Government of India Enterprise)

MD	✓		BKC	✓
CS	✓		DPY	✓
RO	✓		DIV	✓
TRA	✓		AC	✓
AGM	✓	✓	SPI	✓
YE	✓			✓

26th

ANNUAL REPORT

&

ACCOUNTS

1997-98



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BOARD OF DIRECTORS

Dr. A. Sahay	Chairman-cum-Managing Director
Sri Pradeep Kumar	Director
Sri P.R. Chandran	Director (Nominee BIFR)
Sri S.C. Srivastava	Director
Sri S.D.S. Mongia	Director
Sri S.K. Gupta	Director (Finance)

Company Secretary

Sri Ankur Kumar

Statutory Auditors

Girish Gupta & Associates
Chartered Accountants
3/24, Vishal Khand,
Gomti Nagar
Lucknow-226 010

Internal Auditors

M/s Krishna Sharma & Co.
Chartered Accountants
Avanbhai Mansion,
3, Vidhan Sabha Marg,
Lucknow-226 001

Cost Auditors

Sri R.N. Tripathi,
71, Marutipuram
Faizabad Road,
Lucknow-226 016

M/s Sanjay Rajiv & Company
Chartered Accountants
2nd Floor, YMCA Complex,
13, Rana Pratap Marg,
Lucknow-226 001

Bankers

State Bank of India
Indian Overseas Bank

M/s Kapoor Banga & Company
Chartered Accountants
2169 Main Road, West Patel Nagar,
New Delhi-110 002

Delhi Sales & Liaison Office

64-65, Najafgarh Road,
Industrial Area,
New Delhi-110 015

M/s Rahul Vikash & Associates
Chartered Accountants
197, N - Block, Kidwai Nagar,
Kanpur-208 012

Registered Office & Works

Lucknow-Kanpur Road,
(16th Mile Stone)
Post Bag No. 23 (GPO)
(PO) Sarojini Nagar
Lucknow-226 008



DIRECTORS' REPORT

The Members
Scooters India Limited
Lucknow

Your Directors have pleasure in presenting the 26th Annual Report of Scooters India Limited on the business and operations of the Company together with the Audited Balance Sheet and Profit & Loss Account for the year ended 31st March, 1998.

1. FINANCIAL REVIEW :

The salient features of the Company's financial results for the year under review, are as follows :

	<u>1997-98</u>	<u>(Rs. in lakhs)</u> <u>1996-97</u>
Profit before interest on loans from Govt. of India and Depreciation	1307.88	1162.17
a) Interest on loans from Govt. of India	34.83	1.54
b) Depreciation	84.03	67.75
Net Profit for the year	1189.02	1092.88
c) Prior period adjustments	1.41	33.08
NET PROFIT	1187.61	1059.80

2. PRODUCTION REVIEW :

The Production performance for the year is shown below in physical terms :

	<u>1997-98</u>	<u>1996-97</u>
Three-wheelers	16,000	15,618
Scooters	-	181
Fans	212	8,893

3. SALES REVIEW :

The Sales performance for the year is shown below :-

	<u>1997-98</u>		<u>1996-97</u>	
	<u>Physical</u> <u>(in Nos.)</u>	<u>Financial</u> <u>(Rs. in lakhs)</u>	<u>Physical</u> <u>(in Nos.)</u>	<u>Financial</u> <u>(Rs. in lakhs)</u>
Three-wheelers	16,047	12,284.69	14,878	11,363.85
Two-wheelers	67	15.10	226	47.35
Fans	1,721	10.48	11,051	75.48
Spares & CKDs	-	373.30	-	342.35
Other Sales	-	186.32	-	157.15
TOTAL :		12,869.89		11,986.18

**4. ALLOTMENT OF EQUITY SHARES TO GOVT. OF INDIA :**

In accordance with the Sanctioned Scheme of BIFR 15,00,000 Equity shares of the face value of Rs. 10/- each were allotted at par in accordance with the approval obtained in terms of Sec. 81(1A) of the Companies Act, 1956 in the 24th AGM to the President of India against receipt of Rs. 1.50 crores out of Rs. 5.50 crores (Rs. 1.85 crores were released previous year) sanctioned by Govt. of India for meeting capital expenditure thereby increasing paid up capital to Rs. 38.38 crores.

5. EXPENDITURE ON ADVERTISEMENT AND PUBLICITY :

An expenditure of Rs. 57.68 lakhs was incurred on account of advertisement and publicity during the year.

6. WAYS AND MEANS :

The ways and means position of the Company has generally been satisfactory.

7. MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION OF THE COMPANY WHICH HAVE OCCURED FROM 1st APRIL, 1998 TO DATE :

- ☐ Registration of company's three-wheelers was restricted in the states of UP, Delhi, Punjab, MP and Maharashtra which has adversely effected the sale of company's 3-wheelers.
- ☐ Lucknow Nagar Nigam had raised the demand for House Tax @ Rs. 77,90,980.60 per annum w.e.f. 1992-93 which appeared to be exceptionally high. Although provision in this regard was made in the accounts but payment was not made. Lucknow Nagar Nigam was requested to review the demand and reduce it suitably. The matter was reviewed by a High Powered Committee of the Nigam in July 1998 and they agreed to reduce the demand to Rs. 14,92,007.00 @ Rs. 3,25,527.75 per annum. Accordingly the payment of the revised demand has been made. This has resulted in a saving of Rs. 3,52,65,854.70 (after availing 10% rebate on account of timely payment) to the company which would be accounted for in the accounts for the year 1998-99.

8. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO :

Information in accordance with provisions of Section 217(1)(e) of Companies Act, 1956 regarding conservation of energy, Technology absorption and foreign exchange earnings and outflow are given as Annexure-I to this report.

**9. SUBSIDIARY COMPANY :**

Scooters India (International) GmbH, West Germany, a wholly owned subsidiary of the company incorporated in Germany in the year 1983 is understood to be automatically liquidated w.e.f. 7th October, 1996 under the German Laws.

10. PARTICULARS OF EMPLOYEES :

Information as per Sec. 217 (2-A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended and forming part of the Report is annexed at Annexure-II.

11. ANCILLARIES AND SMALL SCALE UNITS :

SIL has purchased from Ancillary Units material worth Rs. 253.00 lakhs during the financial year 1997-98. They are encouraged to compete in the market.

12. INDUSTRIAL RELATIONS :

During the period under review, the industrial relations in the Company remained, by and large, peaceful. However inter-union rivalry continued to persist.

13. VIGILANCE :

Vigilance Group continues to function with particular emphasis on preventive and corrective vigilance aspect. In specified areas surprise checks and system studies were carried out.

14. WORKERS' PARTICIPATION IN MANAGEMENT :

Works committee comprising of all sections of employees meets regularly.

15. TRAINING AND DEVELOPMENT :

Human Resources Development continued to be the concern of your Company. The Company is deputing employees for outside sponsored training programme on a limited scale but in-house training is being carried out on large scale.

16. HINDI IMPLEMENTATION :

Official Language Implementation Committee meets every quarter to review the progress made in implementation of Annual Programme issued by the Department of Official Language, Ministry of Home Affairs, Govt. of India. Several check points have been set up to ensure implementation. On the occasion of Hindi Day every year, essay and poetry competitions are organised for the employees.

**17. RESERVATIONS FOR SCHEDULED CASTES/SCHEDULED TRIBES :**

As on 31.3.98 the total strength of the company was 2009 including 31 persons of Delhi Unit. Out of this strength, 319 employees belong to Scheduled Castes and 02 employees to Scheduled Tribes.

18. FAMILY PLANNING :

Incentives were provided to employees of the company for 07 operations of tubectomy and vasectomy during 1997-98.

19. DIRECTORS :

Sri D.C. Samant, Jt. Secretary, Ministry of Industry, Govt. of India, appointed as President's nominee on the Board of Company w.e.f. 11th Nov., 1994 resigned w.e.f. 23rd Feb., 1998.

Sri Pradeep Kumar, Jt. Secretary, Ministry of Industry, Govt. of India, was appointed as President's nominee on the Board of SIL w.e.f. 23rd Feb., 1998.

Sri S.K. Gupta was appointed as Director (Finance) on the Board of the company w.e.f. 3rd Aug., 1998.

The Board places on record its deep appreciation for the valuable services, guidance and contribution made by Sri D.C. Samant.

20. AUDITORS :

M/s Girish Gupta & Associates have been appointed by the Company Law Board on the recommendations of the Comptroller & Auditor General of India as Statutory Auditors of the Company for the year 1997-98.

21. AUDITORS' REPORT :

In regard to paragraph 2(d) of Statutory Auditors' Report, attention is invited to the notes No. 1,2,6,8,15,16 and 17 forming part of the Accounts appearing in Schedule 20, which are self-explanatory. Comments of the Comptroller & Auditor General of India and Management's replies thereto are annexed. The review of accounts by the Comptroller and Auditor General of India is annexed (Annexure III)

22. COST AUDIT :

Sri R.N. Tripathi, Cost Accountant, Lucknow has been appointed as Cost Auditor of the Company vide letter No. 52/412/CAB-89 (CLB) dated 7th July, 1998 from the Ministry of Finance, Deptt. of Company Affairs, for auditing cost records relating to manufacture of Motor Vehicles (Head Office) for the year ending 31.3.1998.

**23. ACKNOWLEDGEMENT :**

The Board of Directors would like to express their grateful appreciation for the sincere support and co-operation extended by its Bankers, Financial Institutions, Dealers and Suppliers. The Directors would like to express their sincere thanks for the co-operation and advice received from Government of India, particularly, Department of Heavy Industry, the State Government, and the local authorities for their continued support, co-operation and guidance.

Your Directors wish to place on record their deep sense of appreciation for the devoted services of employees in augmenting production, productivity, quality as well as in improving discipline. And to you, our Shareholders, the Directors are deeply grateful for the confidence and faith reposed in us.

For and on behalf of the Board

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A. Sahay

Chairman-cum-Managing Director



ACCOUNTING POLICIES

Annexed to and forming part of the Accounts

1. SYSTEM OF ACCOUNTING ;

(I) Basic assumptions :

The accounts have been prepared under historical cost convention on accrual basis and as per applicable Mandatory Accounting Standards.

(ii) Going concern :

Accounts have been prepared on the principle applicable to a going concern.

2. DEPRECIATION :

Depreciation on fixed assets is charged on straightline method in accordance with rates prescribed in Schedule XIV to the Companies Act, 1956 as amended vide Companies (Amendment) Act, 1988, except in case of special tools where depreciation is charged @ 20% as was being done prior to introduction of Schedule XIV.

3. INVENTORIES :

(I) Raw-materials, components and spare-parts, tools and consumables and other stocks are valued at cost. Scrap and disposable goods are valued at estimated realisable value.

(ii) Stock-in-trade is valued at lower of cost or realisable value and for this purpose STM prices have been treated as realisable value.

(iii) Customs duty on bonded material is allocated to the cost of goods and equipment.

(iv) Expenditure on stationery, uniform, medicine etc. are charged off to revenue at the time of receipt. But the stock remaining at the year end are credited to the revenue account at cost and shown as closing stock.

(v) Work-in-progress is valued at cost. Where the jobs are in progress their conversion cost is taken at 50% of the standard cost regardless of the stage of completion. Completed jobs pending inspection are valued at cost or realisable value whichever is less.

4. FIXED ASSETS:

(I) Land is valued at cost. The cost of the lease land is amortised over the lease span of 90 years.

(ii) Plant, Machinery, Equipment and Fixture costing individually Rs.5000/- and below are depreciated fully in the year of purchase. The tools manufactured departmentally and costing individually Rs.5000/- and below are charged off to revenue at the time of issue.

(iii) Depreciation is also provided on assets which have been declared surplus and are not in use.



5. INVESTMENTS:

Investments are valued at cost. However, in case of permanent diminution in the value of investments, suitable provision is made in the books of accounts.

6. PROVISION FOR REDUNDANCY/OBSOLESCENCE :

Provision for redundancy is made at 0.5% of the value of closing inventory of raw materials and components, stores and spare-parts excluding finished goods, gasoline in petrol pump, medicines, materials in bond and under inspection and scraps. Wherever necessary, additional provision for redundancy/obsolescence of materials is made in individual cases keeping in view their realisable value.

7. SALES :

Sales are set up as per the Sale of Goods Act. They represent value of goods sold at the ex-factory price plus incidentals like freight, insurance etc. embedded in the sale price. The value of sales is inclusive of Excise Duty.

8. ACCOUNTING FOR INCOME AND EXPENDITURE :

Income and expenditure are accounted for in the current year on accrual basis under natural heads of account. However, expenditure upto Rs.100/- each eventhough pertaining to the prior periods is accounted for in the current year.

9. RETIREMENT BENEFITS :

Contribution to Provident Fund, Gratuity Fund and Leave Encashment Fund are made to the recognised funds and charged to the Profit and Loss Account. Gratuity and Leave Encashment liability is ascertained by Life Insurance Corporation of India on actuarial valuation at the year end.

10. DEFERRED CREDIT:

In case of purchase of fixed assets on deferred credit, the purchase price of fixed assets and interest on outstanding amount accruing upto the date of erection and commissioning are capitalised.

11. RESEARCH AND DEVELOPMENT :

Research and development expenditure is charged off to the Profit and Loss Account in the year of occurrence. However, Research and Development expenditure which results in the development of a project, the benefits whereof are to be reaped in future years, is treated as deferred revenue expenditure and amortised over a period of 10 years.

12. JOBS DONE FOR INTERNAL USE :

Jobs done for internal use are valued on the basis of technical estimates of materials and conversion cost.

13. CLAIMS RAISED BY GOVERNMENT AUTHORITIES :

Claims raised by Government Authorities regarding taxes and duties to the extent disputed by the Company are accounted for based on merits of each claim. Adjustments, if any, are made in the year in which the disputes are settled or decided. Such disputed liabilities are, however, disclosed in notes annexed to and forming part of the accounts.