

Scooters India Limited

(A Government of India Enterprise)

An ISO 9001 Company

27th ANNUAL REPORT & ACCOUNTS

Report  junction.com

1998-99





BOARD OF DIRECTORS

Dr. A. Sahay
Sri Pradeep Kumar
Sri P.R. Chandran
Sri K.S. Sawhney

Chairman-cum-Managing Director
Director
Director (Nominee BIFR)
Director

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

**DIRECTOR'S REPORT**

The Members
Scooters India Limited
Lucknow

The Board of Directors of your Company is pleased to present the 27th Annual Report on the business and operations of the Company together with the Audited Balance Sheet and Profit and Loss Account and Auditors' Report thereon for the financial year ended 31st March, 1999.

1. Financial Review :

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

	<u>1998-99</u>	<u>(Rs. in Lakhs)</u> <u>1997-98</u>
Profit before interest on loans from Govt. of India and Depreciation	772.42	1307.88
a) Interest on loans from Govt. of India	46.86	34.83
b) Depreciation	94.02	84.03
Net Profit for the year	631.54	1189.02
c) Prior period adjustments	28.82	1.41
Net Profit	660.36	1187.61

2. PRODUCTION REVIEW :

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

	<u>1998-99</u>	<u>1997-98</u>
Three wheelers	15,305	16,000
Fans	-	212

3. SALES REVIEW :

The Sales performance for the year is shown below :

	<u>1998-99</u>		<u>1997-98</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	15,021	11,818.51	16,047	12,284.69
Two-Wheelers	35	12.93	67	15.10
Fans	479	2.38	1,721	10.48
Spares & Power Pack	-	438.85	-	373.30
Petrol, Diesel, Lubricant etc.	-	127.76	-	106.52
Other Sales	-	98.27	-	79.80
TOTAL		12,498.70		12,869.89



4. EXPENDITURE ON ADVERTISEMENT AND PUBLICITY :

An expenditure of Rs. 67.07 lakhs was incurred on account of advertisement and publicity during the year.

5. WAYS AND MEANS :

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

6. MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION OF THE COMPANY WHICH HAVE OCCURRED FROM 1ST APRIL, 1999 TO DATE :

a) High court's order dated 21.01.99 and 18.05.99 in connection with registration and running of Vikram Tempo three-wheelers in Lucknow has affected the sales in Lucknow and it may have a cascading effect at other places in U.P. The Company has developed a scrubber to control smoke emission and is contesting in the court to reverse the situation.

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

Information in accordance with the provision of Section 217(1)(e) of Companies Act, 1956 regarding conservation of energy, Technology Absorption, Foreign Exchange earnings and outflow are given as Annexure -I to this report.

8. PARTICULARS OF EMPLOYEES :

The Company has no employee getting salary more than the Prescribed limits. Accordingly, information required under Sec. 217(2-A) of the Companies Act., 1956 read with the Companies (Particulars of Employees) Rules, 1975 be treated as NIL.

9. ANCILLARIES AND SMALL SCALE UNITS :

The Company has purchased material worth Rs. 2,56,46,211 from Ancillary Units during the financial year 1998-99. We support them technically and encourage to compete in the market.

10. INDUSTRIAL RELATIONS :

During the period under review, the industrial relations in the company remained, by and large, Satisfactory.

11. VIGILANCE :

Vigilance Group continues to function with particular emphasis on the aspects of preventive and corrective vigilance. In selected areas surprise checks and systems studies were carried out.

**12. WORKERS' PARTICIPATION IN MANAGEMENT :**

Works Committee comprising all sections of employees continued to meet regularly. A total of 13 Shop Councils have been also constituted covering all areas of operations. The meetings of shop councils are held every month.

13. TRAINING AND DEVELOPMENT :

The Company continued to place emphasis on human resource development. The Company has organised in-house training programmes on a large-scale, besides sponsoring employees for training by reputed outside institutions/organisations.

14. HINDI IMPLEMENTATION :

The annual programme issued by the Department of Official Language, Ministry of Home Affairs, Government of India, has been implemented and the progress is watched and reviewed by the Official Language implementation Committee in its quarterly meetings. Every year Hindi Week is celebrated and essay and poetry competitions are held to commemorate Hindi Day.

15. RESERVATIONS FOR SC/ST :

As on 31.3.99, the total strength of the company was 1992. Out of these, 319 employees belong to Scheduled Castes and 02 employees to Scheduled Tribes.

16. FAMILY PLANNING :

Incentives were provided to employees of the company for 05 operations of tubectomy and vasectomy during 1998-99.

17. DIRECTORS :

Sri SDS Mongia, Director, resigned w.e.f. 11th September, 1998.

Sri SC Srivastava, Dy. Secretary, Ministry of Industry, Govt. of India appointed as President's nominee on the Board of company w.e.f. 8th May, 95, resigned w.e.f. 27th November, 1998.

Sri. SK Gupta, appointed as Director (Finance) on the Board of SIL w.e.f. 3rd August, 1998 had resigned on 4th January, 1999 and accordingly he was relieved w.e.f. 6th April, 1999.

Sri KS Sawhney, Dy. Secretary, Ministry of Industry, Govt. of India, was appointed as President's nominee on the Board of SIL w.e.f. 17th February, 1999.

**18. AUDITORS :**

M/s Girish Gupta & Associates Chartered Accountants have been re-appointed by the Company Law Board on the recommendations of the Comptroller and Auditor General of India, as Statutory Auditors of the Company for the year 1998-99.

19. AUDITORS' REPORT :

In regard to paragraph 2(d) of Statutory Auditors' Report, attention is invited to the notes No. 1, 2, 6, 9, 14, 15 and 16 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 (Annexure II). The review of accounts by the Comptroller and Auditor General of India is annexed at Annexure III.

20. COST AUDIT :

Sri RN 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 31st March, 1999.

21. 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. 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

Place : Lucknow

Dated : 24th August, 1999

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/OBSCOLESCENCE :

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.

14. ACCOUNTING OF GOVERNMENT GRANT :

- (i) Government Grant of revenue nature are accounted for in the Profit and Loss Account under the head "other income" in the year of receipt and the expenditure is charged to revenue as and when incurred.
- (ii) *In case of any specific Government grant the treatment in the books of accounts is made on the basis of specific stipulation for the same.*

As per our separate report of even date
For Girish Gupta & Associates
Chartered Accountants

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Girish C. Gupta	S.C. Pande	Ankur Kumar	Pradeep Kumar	A. Sahay
Partner	OSD (F)	Co-Secretary	Director	Chairman-cum-Managing Director

Place : Lucknow

Date : 16th July, 1999

**BALANCE SHEET AS AT MARCH 31, 1999**

SCHEDULE		AS AT 31-3-1999 RS.	AS AT 31-3-1999 RS.
1. SOURCES OF FUNDS			
i) Shareholders' Funds			
a) Capital	1	383,788,188	383,788,188
b) Reserves & Surplus	2	926,083	926,083
		<u>384,714,271</u>	<u>384,714,271</u>
ii) Loan Funds			
a) Secured Loans	3	180078293	79,209,180
b) Unsecured Loans	4	63040000	95,870,000
		<u>223118293</u>	<u>175,079,180</u>
		<u>607832564</u>	<u>559,793,451</u>
2. APPLICATION OF FUNDS			
i) Fixed Assets			
a) Gross Block	5	335051752	311,573,937
b) Less: Depreciation		<u>261028584</u>	<u>251,737,797</u>
c) Net Block		74023168	59,836,140
d) Capital work-in-progress	6	2765436	5,425,522
		<u>76788604</u>	<u>65,261,662</u>
ii) Investments	7	336054	336,054
iii) Current Assets, Loans & Advances			
a) Inventories		320028490	286,978,935
b) Sundry Debtors		88903106	42,015,987
c) Cash and Bank balances		308155061	299,227,469
d) Loans and Advances		<u>56374383</u>	<u>37,914,781</u>
		<u>773461040</u>	<u>666,137,172</u>
Less :			
Current Liabilities and Provisions	9		
a) Liabilities		310418297	305,632,911
b) Provisions		<u>189261</u>	<u>199,493</u>
		<u>310607558</u>	<u>305,832,404</u>
Net Current Assets / (-) Liabilities		462853482	360,304,768
(iv)			
a) Miscellaneous expenditure to the extent not written off or adjusted	10	-	-
b) Profit & Loss Account	11	67854424	133,890,967
		<u>607832564</u>	<u>559,793,451</u>
Accounting Notes and Contingent Liabilities	20		

Schedule 1 to 11 and 20, alongwith accounting policy are integral part of the Balance-sheet.

As per our separate report of even date
For Girish Gupta & Associates
Chartered Accountants

Girish C. Gupta
Partner

S.C. Pande
O.S.D. (Finance)

Ankur Kumar
Co-Secretary

Pradeep Kumar
Director

A. Sahay
Chairman-cum-Managing Director

Place : Lucknow
Dated : 16th July, 1999