

30th ANNUAL REPORT 2001-2002



An ISO 9001 and ISO 14001 Company

Scooters India Limited

(A Government of India Enterprise)



SCOOTERS INDIA LIMITED

BOARD OF DIRECTORS

Shri P. K. Datta
 Shri Pradeep Kumar
 Shri K. S. Sawhney
 Shri N. K. Trivedi

Chairman-cum-Managing Director
 Director
 Director
 Director

Company Secretary

Sri Manoj Agrawal

Statutory Auditors

M/s Rajeev Nandan & Co.,
 Chartered Accountants
 5-A, Prince Complex
 Third Floor, Hazratganj,
 Lucknow-226 001

Internal Auditors

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

Cost Auditors

Sri R.N. Tripathi,
 C-121, Indira Nagar
 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 Dharendra Tripathi & Co.
 Chartered Accountants,
 C-121, Indira Nagar,
 Lucknow - 226 010

Registered Office & Works

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

M/s Ashok & Ajai
 Chartered Accountants,
 2nd Floor,
 117/H-1/381, Model Town,
 Pandu Nagar,
 Kanpur-208005

DIRECTORS' REPORT

Dear Members,
Scooters India Limited.

The Board of Directors of your Company is pleased to present the 30th 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, 2002.

1. FINANCIAL REVIEW :

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

	<u>2000-2001</u>	(Rs. in Lakhs) <u>2001-2002</u>
a) Profit before Depreciation	619.29	401.08
b) Depreciation	110.87	117.08
c) Profit for the year	508.42	284.00
d) Prior period adjustments	1.75	(57.89)
Net Profit	510.17	226.11

2. PRODUCTION REVIEW :

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

	<u>2000-2001</u>	<u>2001-2002</u>
Three wheelers	13,006	13,011

3. SALES REVIEW :

The Sales performance for the year is shown below :

	<u>2000-2001</u>		<u>2001-2002</u>	
	Physical (in Nos.)	Financial (Rs. in lakhs)	Physical (in Nos.)	Financial (Rs. in lakhs)
Three Wheelers	12070	10235.54	13043	11385.70
Two Wheelers	-	-	7	0.77
Spares & Power Pack	-	589.81	-	895.97
Petrol, Diesel, Lubricants etc.	-	290.70	-	500.27
Other Sales	-	71.32	-	67.95
TOTAL		11187.37		12850.66

4. EXPENDITURE ON ADVERTISEMENT AND PUBLICITY :

An expenditure of Rs. 113.45 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 been satisfactory.



6. MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION OF THE COMPANY WHICH HAVE OCCURRED FROM 1.4.2002 TO DATE :

No material change and commitments have been made by the company from 1-04-02 to date that has adverse effect on the financial position of the company.

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

Your company has yet again achieved a milestone having acquired the ISO 9001 accreditation. The company has also achieved another hallmark - the ISO 14001 certification applicable to Environment Management Systems to further its objective of eco-friendly development and production of its products.

Information in accordance with provisions of Section 217 (1) (e) of the Companies Act, 1956 regarding the conservation of energy, technology absorption and foreign exchange earnings and outflow are given in 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 :

SIL has purchased material worth Rs. 212.94 Lakhs from Small Scale Units during the financial year 2001-2002. The Company supports them technically and encourages them to compete in the market.

10. INDUSTRIAL RELATIONS :

During the year under review, the industrial relations in the Company remained, by and large, peaceful and cordial

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 of all sections of employees and 16 Nos. Shop Councils covering all areas/operations continued to meet every month to secure employees' participation in Management.

13. HUMAN RESOURCE DEVELOPMENT :

Employees are central to SIL's growth strategy. In pursuance thereof, the Company is regularly conducting training programmes in-house and sponsoring employees to attend specialized programmes outside.

Learning and Training

Your company's Management is fully aware that the future of the organisation depends largely on its ability to transform itself into a learning organization. Your Company has, therefore, undertaken to develop systematic and scientific matrices for training of its employees.

Induction of qualified young professionals has also been initiated.

14. HINDI IMPLEMENTATION :

Official Language implementation Committee continues to meet every quarter to take stock of the progress of the implementation of the Annual Programme issued by the Department of Official Language, Ministry of Home Affairs, Govt. of India. The Company commemorated Hindi Divas by observing official language fortnight in the month of September and organising essay and poetry competitions for various sections of employees.

15. RESERVATIONS FOR SCHEDULED CASTES & SCHEDULED TRIBES :

As on 31.3.2002, the total strength of the Company was 1902. Out of these, 311 employees belong to Scheduled Caste and 2 employees to Scheduled Tribes.

16. DIRECTORS :

Sri P. K. Datta joined the company on 20th March, 2002 as Chairman-cum-Managing Director in place of Dr. A. Sahay, who demitted office on 16th March, 2002

Directors' Responsibility Statement

Pursuant to the requirement under section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed :

- (i) That in the preparation of the accounts for the financial year ended 31st March 2002, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) That the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review;
- (iii) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) That the Directors have prepared the accounts for the financial year ended 31st March 2002 on a 'going concern' basis.

17. ADEQUACY OF INTERNAL CONTROL :

SIL has proper and adequate system of internal controls to ensure that all activities are monitored and controlled against any unauthorised use of disposition of assets, and that the transactions are authorised, recorded and reported correctly.

SIL ensures adherence to all internal control policies and procedures as well as compliance with all regulatory guidelines.

18. FIXED DEPOSITS :

The Company has not accepted any deposits during the year.

19. AUDITORS :

M/s Rajeev Nandan & Company have been appointed by the Comptroller and Auditor General of India, as Statutory Auditors of the Company for the year 2001-2002.



SCOOTERS INDIA LIMITED

20. AUDITORS' REPORT :

In regard to paragraph 2(e) of Statutory Auditors' Report, attention is invited to the notes No. 5, 7, and 8 forming part of the Accounts appearing in Schedule 19, which are self explanatory. Comments of the Comptroller and Auditor General of India are placed at Annexure - III. The review of accounts by the Comptroller and Auditor General of India is annexed at Annexure - IV.

21. 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 21st February, 2002 from the Government of India, Ministry of Law, Justice & Company Affairs, Deptt. of Company Affairs, for auditing cost records relating to manufacture of Motor Vehicles for the financial year ending 31st March, 2002.

22. COMPLIANCE CERTIFICATE :

A certificate from the auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement alongwith the report on corporate Governance is attached as Annexure - II to this report.

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 also 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

P. K. Datta

Chairman-cum-Managing Director

Place : Lucknow

Date : 19-8-2002

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



SCOOTERS INDIA LIMITED

costing individually Rs.5000 and below are charged off to revenue at the time of issue.

- (iii) Borrowing cost incurred in relation to acquisition, construction of assets are capitalised as part of the cost of such assets upto the date where such assets are ready for intended use. Other borrowing costs are charged as expenses in Profit & Loss Account in the year in which they are incurred.
- (iv) 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.

The compensation payable under Voluntary Retirement Scheme other than through National Renewal Fund from Government of India is amortised equally over a period of five financial years.

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. Expenditure which result in creation of capital assets is taken to fixed assets and depreciation provided for as applicable.

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 Rajeev Nandan & Company
Chartered Accountants

P.K. Agarwal
Partner

Manoj Agrawal
Company Secretary

C.S. Sundara Murthy
G.M. (Finance)

N. K. Trivedi
Director (Tech.)

P.K. Datta
Chairman-cum-
Managing Director

Place : Lucknow

Date : 29-6-2002



SCOOTERS INDIA LIMITED

BALANCE SHEET AS AT MARCH 31, 2002

	SCHEDULE	AS AT 31-3-2002 Rs.	AS AT 31-3-2001 Rs.
1. SOURCES OF FUNDS			
i) Shareholders' Funds			
a) Capital	1	429,938,188	399,938,188
b) Reserves & Surplus	2	74,526,699	51,915,678
		<u>504,464,887</u>	<u>451,853,866</u>
ii) Loan Funds			
a) Secured Loans	3	248,604,630	265,065,422
b) Unsecured Loans	4	75,325,720	54,182,860
		<u>323,930,350</u>	<u>319,248,282</u>
		<u>828,395,237</u>	<u>771,102,148</u>
2. APPLICATION OF FUNDS			
i) Fixed Assets			
a) Gross Block	5	391,206,749	372,582,325
b) Less: Depreciation		<u>289,302,573</u>	<u>279,245,466</u>
c) Net Block		101,904,176	93,336,859
d) Capital work-in-progress	6	2,767,270	12,923,992
		<u>104,671,446</u>	<u>106,260,851</u>
ii) Investments	7	336,054	336,054
iii) Current Assets, Loans & Advances	8		
a) Inventories		361,523,688	366,443,474
b) Sundry Debtors		120,591,891	125,333,171
c) Cash and Bank balances		473,428,092	390,864,719
d) Loans and Advances		64,726,841	99,061,299
		<u>1,020,270,512</u>	<u>981,702,663</u>
Less :			
Current Liabilities and Provisions	9		
a) Liabilities		298,434,832	317,106,680
b) Provisions		94,571	90,740
		<u>298,529,403</u>	<u>317,197,420</u>
Net Current Assets / (-) Liabilities		<u>721,741,109</u>	<u>664,505,243</u>
Miscellaneous expenditure to the extent not written off or adjusted	10	1,646,628	-
		<u>828,395,237</u>	<u>771,102,148</u>
Accounting Notes and Contingent Liabilities	19		

Schedule 1 to 10 and 19, alongwith accounting policies are integral part of the Balance-sheet.

As per our separate report of even date
For Rajeev Nandan & Company
Chartered Accountants

P.K. Agarwal
Partner

Manoj Agrawal
Company Secretary

C.S. Sundara Murthy
G.M. (Finance)

N. K. Trivedi
Director (Tech.)

P.K. Datta
Chairman-cum-
Managing Director

Place : Lucknow
Dated : 29th June 2002