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Scooters India Limited

(A Government of India Enterprise)

An ISO 9001 and ISO 14001 Company

32nd ANNUAL REPORT 2003-2004

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BOARD OF DIRECTORS

Shri P. K. Datta — Chairman-cum-Managing Director
Shri S.V. Bhave — Director
Shri S. Chakraborty — Additional Director

Company Secretary
Shri Manoj Agrawal

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

Statutory Auditors
M/s Mohan & Co.,
Chartered Accountants,
M-1/44, Sector-B,
Aliganj Colony,
Lucknow-226 024.

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

Cost Auditors
Shri R.N. Tripathi,
C-121, Indira Nagar,
Faizabad Road,
Lucknow-226 016.

M/s Sundar & Chandar,
Chartered Accountants,
Quanta's-"TRINITY"
Ground Floor, No.18/2A, West Road,
West C.I.T. Nagar, Chennai-600 035.

M/s Jayaswal Associates,
Chartered Accountants,
A-160, IInd Floor,
Vikas Marg, Shakarpur,
Delhi-110 092.

M/s Dhirendra Tripathi & Co.,
Chartered Accountants,
C-121, Indira Nagar,
Lucknow-226 016.

M/s A. Guha Thakurta & Associates,
Chartered Accountants,
W2A(R)-3/2; Phase-IVA,
Golf Green,
Kolkata-700 095.

M/s Suhas S. Marathe & Co.,
Chartered Accountants,
H-01, Manek Nagar, Pardeshi Ali,
Panvel-410 206, Raigad.

Bankers
State Bank of India
Indian Overseas Bank
Allahabad Bank

Delhi Sales & Liaison Office
64-65, Najafgarh Road,
Industrial Area,
New Delhi-110 015.

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

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DIRECTORS' RFPORT

Dear Members,
Scooters India Limited.

The Board of Directors of your Company is pleased to present the 32nd 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, 2004.

1. FINANCIAL REVIEW:

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

(Rs. in Lakhs)

	2002-2003	**2003-2004**
a) Profit before Depreciation	450.22	**464.96**
b) Depreciation	127.29	**129.44**
c) Profit for the year	322.93	**335.52**
d) Prior period adjustments	(58.01)	**(19.77)**
Net Profit	264.92	**315.75**

2. PRODUCTION REVIEW:

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

	2002-2003	**2003-2004**
Three wheelers	14,088	**15,494**

3. SALES REVIEW:

The Sales performance for the year is shown below :

	2002-2003		**2003-2004**	
Description	Physical (in Nos.)	Financial (Rs. in lakhs)	**Physical (in Nos.)**	**Financial (Rs. in lakhs)**
Three Wheelers	14,368	12,312.14	**15,373**	**13,557.34**
Spares & Power Pack	-	1,413.26	-	**1,386.04**
Petrol, Diesel, Lubricants etc.	-	674.94	-	**596.31**
Other Sales	-	93.01	-	**102.64**
TOTAL		14,493.35		**15,642.33**

4. MANAGEMENT DISCUSSION AND ANALYSIS:

Objective

(a) Providing economical and safe means of transportation with contemporary technology for movement of cargo and people.

(b) Providing eco-friendly, flawless and reliable products to fulfill customers' needs.

(c) Achieving customers' satisfaction by providing products at right price and at right time.

Financial Review

Scooters India Limited (one of India's leading Public Sector Automobile Company) has reported satisfactory financial and operating performance during the period under review i.e. financial year 2003-04.

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Gross income of the company has increased by 9.73% from Rs. 149.70 crores previous year to Rs. 164.28 crores during 2003-04. Net Profit of the company has increased by 19.18% as compared to the previous year. The Company has shown all round improvement in its performance in 2003-04.

Resources and Liquidity:

The company has raised no fresh fund during the period under review. Company is repaying all its dues in time and the liquidity position continues to be satisfactory.

Market Scenario:

The three-wheeler market segment in which the company is operating, continues to be extremely competitive. Major competitors Bajaj Auto, Bajaj Tempo, Mahindra & Mahindra, Piaggio, Kerala Automobiles Ltd., Sitara, Sunku etc. and several other Global giants are also likely to join the fray.

Your company is confident that it shall be able to meet the competition effectively and match the growth rate.

Your company has consolidated itself in the north and central regions while the focus on west, east and southern markets has been enhanced. Market penetration has improved through rationalization of Dealers.

Product:

Your company has endeavored to upgrade its products to meet the requirements of market. Your company is in the process of developing new products and to improve upon its existing products through in-house R&D efforts coupled with collaborative technical support. Your company has (for Vikram 750-D air cooled Three wheelers) developed a new starter motor and alternator for improved lighting and battery charging. Redesign of Instrument panel reinforcement has been done to achieve better performance.

Quality:

Your company has installed a new paint shop in order to facilitate superior paint finished vehicle. The commissioning of the paint shop shall be effected in the financial year 2004-05. Your company is an ISO 9001 and ISO 14001Company. The company has taken several initiatives to ensure that the best quality products are made available to its customers.

Challenges faced by the Company:

(a) Manpower cost-Manpower cost in the company is high and so is the average age profile of the employees. While your company needs to reduce its manpower cost at the same time it also needs to infuse fresh blood.

(b) Plant & Machinery - Your Company had purchased the Plant & Machinery of Innocenti of Italy. The plant & machinery so procured has now over-lived its productive life. Substantial capital investments need to be infused in order to reduce frequent breakdown and to cut down the cost of production.

Strategic Road Map:

With the focus so far having been on the urban market, the company is now developing products to suit rural market. Given the present policy it is now likely that emission norms for vehicles are going to be more and more stringent. In view of the above your company has taken up simultaneous projects to keep itself ready with the products that are not only environment friendly but are also economical and sturdy.

Your company would be required to make substantial expenditure on R&D activity to keep pace with the market requirements. Your company has taken up the exercise of revamping its marketing setup in order to ensure cent percent market orientation.

5. **EXPENDITURE ON ADVERTISEMENT AND PUBLICITY :**

An expenditure of Rs. 78.50 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 been satisfactory.

7. **MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION OF THE COMPANY WHICH HAVE OCCURRED FROM 1.4.2004 TO DATE :**

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

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

   Your company is an ISO 9001 and ISO 14001 certified. ISO-14001 is 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.

9. **PARTICULARS OF EMPLOYEES :**

   No employee of the company is getting salary more than the prescribed limits. Accordingly information under Sec. 217(2-A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 be treated as NIL.

10. **ANCILLARIES AND SMALL SCALE UNITS :**

    SIL has purchased material worth Rs. 222.53 Lakhs from Small Scale Units during the financial year 2003-2004. The Company supports them technically and encourages them to compete in the market.

11. **INDUSTRIAL RELATIONS :**

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

12. **VIGILANCE :**

    Vigilance Group continues to function with particular emphasis on the aspects of preventive and corrective vigilance. In selected areas, surprise checks and system studies were carried out and the improvements suggested were implemented. Company also observed Vigilance Awareness week from 3rd to 8th November, 2003. All cross sections of employees, participated in the programmes which included Essay competition, Lectures, Debates etc.

13. **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.

14. **HUMAN RESOURCE DEVELOPMENT :**

    SIL considers its employees as key resource and enables them to develop and hone their skills through exposure to latest managerial and technical developments by sponsoring them for external and in-house training. Special emphasis has been laid on creating awareness about Quality Management System, Environmental Management System, House Keeping through adoption of 5 'S' principles, development of multi skill capabilities and other motivational aspects.

15. **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 week in the month of September and organising antakshari and debate competitions for various sections of employees.

16. **RESERVATIONS FOR SCHEDULED CASTES & SCHEDULED TRIBES :**

    As on 31.3.2004, the total strength of the Company was 1811. Out of these, 308 employees belong to Scheduled Castes and 2 employees to Scheduled Tribes.

17. **DIRECTORS :**

    Shri N.K.Trivedi retired from the Board of Directors on attaining the age of superannuation w.e.f.31.01.2004.

    Shri S. Chakraborty has been appointed as Additional Director on the Board of Directors w.e.f. 29.01.2004.

18. **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 :

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(i) That in the preparation of the accounts for the financial year ended 31st March 2004, 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 2004 on a 'going concern' basis.

19. 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.

20. FIXED DEPOSITS :

The Company has not accepted any deposits during the year.

21. AUDITORS :

M/s Mohan & Company have been appointed by the Comptroller and Auditor General of India, as Statutory Auditors of the Company for the year 2003-2004.

22. CORPORATE GOVERNANCE :

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. COST AUDIT :

Shri R.N. Tripathi, Cost Accountant, Lucknow has been appointed as Cost Auditor of the Company vide letter No. 52/412/CAB-89(CLB) dated 6th November, 2003 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, 2004.

24. AUDITORS' REPORT :

Certificate issued by the comptroller and Auditor General of India stating that they have no comments, is placed at Annexure-III. The review of accounts by the Comptroller and Auditor General of India is annexed at Annexure-IV.

25. 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 on us.

For and on behalf of the Board

P. K. Datta
Chairman-cum-Managing Director

Place : Lucknow
Date : 21st August, 2004

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

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(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 not provided on assets which have been declared surplus and are not in use. These assets have been distinctly shown under other Current Assets at net value.

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.1000/- each even though 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.

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.

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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 Mohan & Company
Chartered Accountants

S.K.Mohan	**Manoj Agrawal**	**C.S. Sundara Murthy**	**S. Chakraborty**	**P.K. Datta**
Partner	Company Secretary	G.M. (Finance)	Director	Chairman-cum-Managing Director

Place : Lucknow
Date: 29th June, 2004

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SCOOTERS INDIA LIMITED

BALANCE SHEET AS AT MARCH 31, 2004

	SCHEDULE	AS AT 31-3-2004 Rs.	AS AT 31-3-2003 Rs.
1. SOURCES OF FUNDS			
i) Shareholders' Funds			
a) Capital	1	429,938,188	429,938,188
b) Reserves & Surplus	2	132,593,824	1,892,886,540
		562,532,012	2,322,824,728
ii) Loan Funds			
a) Secured Loans	3	224,758,312	227,976,629
b) Unsecured Loans	4	48,000,020	62,182,870
		272,758,332	290,159,499
		835,290,344	2,612,984,227
2. APPLICATION OF FUNDS			
i) Fixed Assets			
a) Gross Block	5	390,513,468	405,553,693
b) Less: Depreciation		289,231,472	301,932,817
c) Net Block		101,281,996	103,620,876
d) Capital work-in-progress	6	87,037,412	2,825,808
		188,319,408	106,446,684
ii) Investments	7	336,054	336,054
iii) Current Assets, Loans & Advances	8		
a) Inventories		270,791,701	303,880,588
b) Sundry Debtors		147,267,372	94,196,020
c) Cash and Bank balances		520,141,521	536,681,573
d) Other current assets		86,945,710	73,815,616
e) Loans and Advances		28,247,868	29,882,367
		1,053,394,172	1,038,456,164
Less :			
Current Liabilities and Provisions	9		
a) Liabilities		408,498,692	325,543,691
b) Provisions		77,723	77,771
		408,576,415	325,621,462
Net Current Assets		644,817,757	712,834,702
Miscellaneous expenditure to the extent not written off or adjusted	10	1,817,125	1,498,779
Deferred Tax Asset (Refer Note 18)		-	1,791,868,008
		835,290,344	2,612,984,227

Accounting Notes and Contingent Liabilities 19
Schedule 1 to 10 and 19, alongwith accounting policy are integral part of the Balance-sheet.

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

S.K.Mohan	Manoj Agrawal	C.S. Sundara Murthy	S. Chakraborty	P.K. Datta
Partner	Company Secretary	G.M. (Finance)	Director	Chairman-cum-Managing Director

Place : Lucknow
Date: 29th June, 2004

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