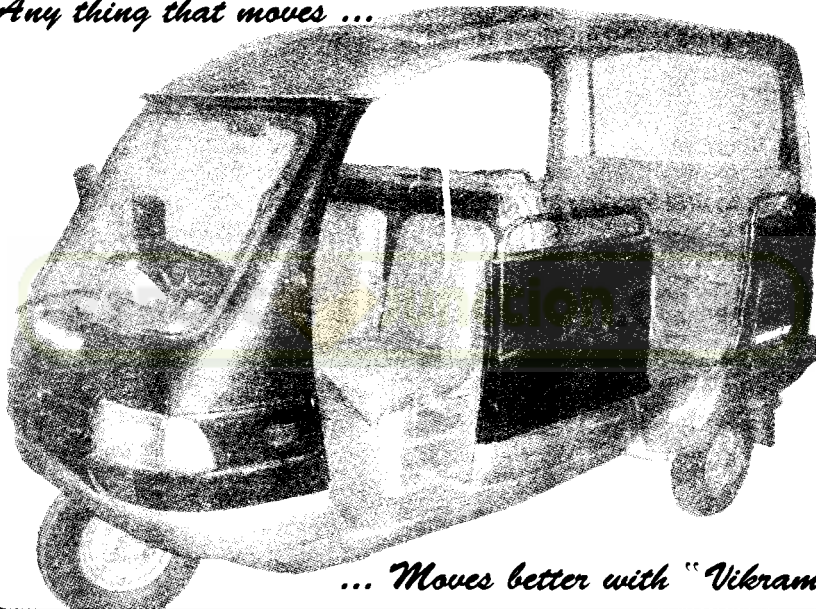


# 36<sup>th</sup> ANNUAL REPORT 2007-08

*Any thing that moves ...*



*... Moves better with "Vikram"*



## **Scooters India Limited**

**(A Government of India Enterprise)**

An ISO 9001 and ISO 14001 Company



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**SCOOTERS INDIA LTD.**

Serving the Common man Since 1972



## BOARD OF DIRECTORS

### Functional Director

Shri Ajai Kumar	- Chairman-cum-Managing Director	w.e.f. 23.04.08
Shri P. Muthusamy	- Director (Finance)	w.e.f. 12.09.06
	(Addl. charge of Chairman & Managing Director from 13.04.2007 to 22.04.2008)	
Shri P. P. Sarkar	- Director (Technical)	w.e.f. 16.05.2007

### GOI, Nominee Directors

Shri Manoj Kumar Singh	- GOI, Nominee Director	w.e.f. 03.11.2006 to 22.05.2007
Shri Shashank Goel	- GOI, Nominee Director	w.e.f. 22.05.2007 to 16.11.2007
Shri Vikram Gulati	- GOI, Nominee Director	w.e.f. 16.11.2007

### Independent Directors

Shri S.K. Tripathi	- Director	w.e.f. 06.07.2007
Shri P. K. Brahma	- Director	w.e.f. 08.02.2007
Prof. S. Chakraborty	- Director	w.e.f. 31.01.2007

### Statutory Auditor

Girish Gupta & Associates,  
Chartered Accountants  
3/24, Vishal Khand,  
Gomti Nagar, Lucknow-226010.

### Cost Auditors

Shri R. N. Tripathi  
C-121, Indira Nagar,  
Faizabad Road,  
Lucknow-226016.

### Bankers

State Bank of India  
Indian Overseas Bank  
Allahabad Bank

### Delhi Sales & Liaison Office

64-65, Najafgarh Road  
Industrial Area,  
New Delhi-110015.

### Registered Office & Works

Lucknow-Kanpur Road,  
(16<sup>th</sup> Mile Stone),  
Post Bag No. 23 (GPO),  
(P.O.) Sarojini Nagar,  
Lucknow-226008.

### Registrar & Transfer Agent

Skyline Financial Services Pvt. Ltd.,  
123, Vinoba Puri, Lajpat Nagar - II,  
New Delhi - 110024.

### INTERNAL AUDITORS

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

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

M/s Sanjay Rajiv & Company,  
Chartered Accountants,  
1<sup>st</sup> Floor, YMCA Complex,  
13, Rana Pratap Marg,  
Lucknow-226 001.

M/s A.K. Mukherjee & Co.  
Chartered Accountants,  
58/1, Kali Banerjee Lane,  
Howrah-711 101.

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

M/s R. Balaji & Co.  
Chartered Accountants,  
New No.2, Balaji Street,  
Rangarajapuram,  
Chennai-600 024.

M/s Jayaswal Associates,  
Chartered Accountants,  
A-160, II<sup>nd</sup> Floor,  
Vikas Marg, Shakarpur,  
Delhi-110 092.

M/s K.S. Ramakrishna & Co.  
Chartered Accountants,  
285 & 286, 2<sup>nd</sup> Floor,  
Chenoy Trade Centre,  
'C' Block, Park Lane,  
Secunderabad-500 003.

### STOCK EXCHANGES

The Delhi Stock Exchange  
Association Ltd.,  
DSE House,  
3/1 Asaf Ali Road,  
New Delhi - 110002

Bombay Stock Exchange Ltd.,  
1<sup>st</sup> Floor,  
Phiroze Jeejeebhoy Towers,  
Dalal Street,  
Mumbai - 400001



SCOOTERS INDIA LIMITED

**DIRECTORS' REPORT**

Dear Shareholders,

The Board of Directors of your Company is pleased to present the **36<sup>th</sup> 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 31<sup>st</sup> March, 2008.

**1. PRODUCTION REVIEW :**

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

Description	<u>2006-2007</u>	<u>2007-2008</u>
Three wheelers (in Nos)	15,162	11,512

**2. SALES REVIEW :**

The Sales performance for the year is shown below :

Description	<u>2006-2007</u>		<u>2007-2008</u>	
	Physical (in Nos.)	Financial (Rs. in lakhs)	Physical (in Nos.)	Financial (Rs. in lakhs)
Three Wheelers	15,239	17,056.59	12,221	13,477.22
Spares	-	875.65	-	902.88
Petrol, Diesel, Lubricants etc.	-	1,087.73	-	834.93
Other Sales	-	108.83	-	62.84
<b>TOTAL</b>	-	<u>19,128.80</u>	-	<u>15,277.87</u>

**3. FINANCIAL REVIEW :**

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

	<u>2006-2007</u>	<u>2007-2008</u>
	(Rs. in Lakhs)	
a) Profit/(Loss) before Depreciation	(836.36)	(2,058.53)
b) Depreciation	202.46	184.70
c) Profit/(Loss) for the year	(1038.82)	(2,243.23)
d) Prior period adjustment	(1204.18)	-
e) Income Tax	-	-
f) FBT	7.20	4.05
<b>Net Profit/(Loss) (PAT)</b>	<u>(2250.20)</u>	<u>(2,247.28)</u>

During the year under review the company registered a loss of Rs. 22.47 crores compared to Rs. 22.50 crores in the previous years.

**4. CONTRIBUTION TO NATIONAL EXCHEQUER**

The company has contributed a sum of Rs. 3,752.39 lakhs to the exchequer during the period under review.



## 5. EXPORTS

Your company has achieved exports of Rs. 41.03 lakhs during the period under review. The royalty income by way of foreign exchange remittances amounted to be Rs. 167 lakhs during the year.

## 6. MANAGEMENT DISCUSSION AND ANALYSIS:

### (A) Mission, Vision & Objective

- |                  |   |
|------------------|---|
| <b>Mission</b>   | To improve the performance of the company so as to be competitive and profitable.   |
| <b>Vision</b>    | To fulfill customer's needs for economic and safe mode of road transport and quality engineering products through contemporary technologies.  |
| <b>Objective</b> | <ul style="list-style-type: none"> <li>● Providing economical and safe means of transportation with contemporary technology for movement of cargo and people.</li> <li>● Providing eco-friendly, flawless and reliable products to high quality to fulfil customer needs.</li> <li>● Achieving customers' satisfaction by providing products and services at competitive price.</li> <li>● Improving and upgrading present 3-wheeler products including engines to achieve growth in market share.</li> <li>● Improve productivity by skilful addition of Jigs &amp; fixtures, wherever required, servicing of old machines and replacing whenever necessary, introducing modern manufacturing and quality assurance practice.</li> <li>● Empower employees of SIL with knowledge and skills to the extent that they will be capable of managing sustained growth rate with minimal support.</li> </ul> |

### (B) MARKET SCENARIO

(i) The total number of 3 wheelers produced and sold in the domestic market by manufacturers in India during the year 2007-08 as against 2006-07 is given below :

<u>Category</u>	<u>Production</u>	
<u>Segment/Sub-segment</u>	<u>Apr.06-Mar.07</u>	<u>Apr.07-Mar.08</u>
Passenger Carrier (in Nos)	3,85,562	3,67,676
Goods Carrier (in Nos)	1,70,564	1,32,916
<b>Total :</b>	<b>5,56,126</b>	<b>5,00,592</b>
	<u>Sales</u>	
Passenger Carrier (in Nos)	2,37,175	2,32,132
Goods Carrier (in Nos)	1,66,735	1,32,571
<b>Total :</b>	<b>4,03,910</b>	<b>3,64,703</b>

Note : Sales excludes Export of 1,43,896 Nos. in 2006-07 and 1,41,235 Nos. in 2007-08.

Source-SIAM

(ii) 3-Wheeler growth drivers are as under :

- ☐ Increased disposable income.
- ☐ Rapid urbanization with cities becoming larger increasing need for mobility.
- ☐ Need for economically viable transport solution.



- ☐ The domestic demand for 3-wheelers passengers version is driven by availability of permits.
  - ☐ Increased demand from Semi-Urban & Rural Areas.
  - ☐ Wider product range/choice available to customer.
  - ☐ Real Price of products going down.
  - ☐ Greater Finance Options.
  - ☐ Apart from macro economic factors, major demand drivers have been :
    - High product maneuverability & driveability. Ideal for congested Indian roads and tropical conditions.
    - Self-employment opportunity for a large segment of youth.
    - The domestic demand of passenger version of 3-wheelers driven by availability of permits.
    - Greater acceptability due to eco-friendly & mass transportation mean.
- (iii) Scooters India Limited has been a pioneer in bringing out various models of 3-wheelers running on petrol, diesel, electric and gas for application as both passengers and load carrier versions. Company has played an important role in popularizing of 3-wheelers of larger capacities in the country.

The company continues to be leader in passenger carrier (6+1) segment of vehicles and has a share of 55.35% in 2007-08 as against 51.71% in 2006-07. With various cities legislating in favour of CNG/LPG vehicles, the company has geared itself to introduce new products on CNG/ LPG mode during 2008-09.

**(C) Resources and Liquidity :**

The Cash Flow constraints due to cash losses could be managed due to better management of working capital.

**(D) Quality :**

Your company is an ISO 9001 : 2000 company. The company has taken several initiatives to ensure that the best quality products are made available to its customers.

**(E) Opportunities & threats :**

**E.1. Opportunities :**

1. GDP growth is expected to be in the range of 8.53% (NCAER) showing development in infrastructure including roads connecting smaller towns to cities, which would facilitate running of smaller vehicles.
2. CNG and LPG would be fuel of choice due to low emission and this would give opportunity for 3-wheelers run on LPG & CNG.

**E.2 Threats :**

1. Smaller passenger vehicle and sub 1.0 ton load carriers on 4-wheels have been introduced/ is being introduced by other automobile companies.
2. Rise in cost of fuel and problems in issue of permits by Regional Transport Authorities shall continue to pose problem for growth of 3-wheeler industry.

**(F) Outlook :**

**i) Challenges faced by the Company :**

- 1) The need for consistency in quality demands for enhanced investment in R & D and upgradation of plant & machinery. Existing over-lived plant & machinery is a cause of concern.
- 2) 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.





3) Through 3-Wheeler as industry continue to grow but increase in competition and availability of 4-Wheeler in 1.0 ton category is expected to aggravate the extremely competitive scenario and impact the volumes & margin.

4) Emission and safety norms are getting continuously upgraded by authorities which call for product upgradation and investments.

**(ii) Strategic Road Map :**

When Auto sector in India has been showing impressive improvement for the past few years, the performance of your company has not been impressive enough as is evident from the financial results. With the help of Govt. of India, a study was undertaken to address the various issues faced by the company. Based on the outcome of the report a short term project proposal of product improvement, manpower training and upgradation of facilities for testing and evaluation has been taken up by your company at approved cost of Rs. 18.63 crores. The implementation of the project is expected to bring in 'no problem vehicle'; modification of existing 3-wheelers to comply with the changing emission and safety rules; introduction of 3-wheeler upgrades to meet the market requirements; upgradation of CAE/CAD and Testing and evaluation facilities in addition to addressing various manufacturing and other issues. The project had already commenced w.e.f. 1.5.2007 and expected to be completed in 36 months.

This is expected to result in improvement in operational efficiency of the company and also enable the company to go for higher volume of production and sales to sustain itself in the long run.

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

An expenditure of Rs. 42.28 lakhs was incurred on account of advertisement and publicity during the year.

**8. MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION OF THE COMPANY WHICH HAVE OCCURRED FROM 1.4.2008 TO DATE :**

No material change and commitments have been made by the company from 01-04-08 to date that has adverse effect on the financial position of the company.

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

Your company is an ISO 9001 : 2000 certified which focuses on quality management system.

Information in accordance with provision 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.

**10. 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.

**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 12.11.2007 to 16.11.2007. The employees participated in various programmes enthusiastically.

**13. HUMAN RESOURCE DEVELOPMENT :**

Company treats its employees as key resources and facilitates their development and upgradation of their skills in both technical and managerial fields with due emphasis on Product upgradation, Quality & Environmental Management Systems, Motivational aspects, Attitudinal Change etc.

**14. HINDI IMPLEMENTATION :**

Official Language implementation Committee monitors and reviews the progress of implementation of the Annual Programme issued by Department of Official Language, Ministry of Home Affair, Government. of India. Hindi Divas is commemorated every year by observing official language week in the month of September. Various competitions are organized for employees and winners are felicitated.

**15. RESERVATION FOR SCHEDULED CASTES & SCHEDULED TRIBES :**

As on 31.3.2008, the total strength of the Company was 1467. Out of these, 280 employees belong to Scheduled Castes and 01 employees to Scheduled Tribes.

**16. DIRECTORS :**

During the year under report Shri Shashank Goel was appointed as GOI, Nominee Director vice Shri Manoj Kumar Singh w.e.f. 22.05.2007. Shri Vikram Gulati was appointed as GOI, Nominee Director, vice Shri Shashank Goel w.e.f. 16.11.2007.

Shri Ajai Kumar has joined as Chairman-cum-Managing Director w.e.f. 23<sup>rd</sup> April 2008. Shri P. Muthusamy, Director (Finance), held the additional charge of Chairman-cum-Managing Director from 13.04.2007 to 22.04.2008.

**17. 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 :

- (a) That in the preparation of the accounts for the financial year ended 31<sup>st</sup> March 2008, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (b) 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;
- (c) 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;
- (d) That the Directors have prepared the accounts for the financial year ended 31<sup>st</sup> March 2008 on a 'going concern' basis.

**18. 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.

**19. FIXED DEPOSITS :**

The Company has not accepted any deposits during the year.



**20. NO DEFAULT :**

The company has not defaulted in payment of Interest and/or in repayment of loans to any Financial Institution and / or to Banks and / or to Government of India during the period under review.

**21. AUDITORS REPORT :**

M/s Girish Gupta & Associates have been appointed by the Comptroller and Auditor General of India, as Statutory Auditors of the Company for the year 2007-08.

The Accounts of the Company were also submitted to the Comptroller & Auditor General of India for their report under Section 619(4) of the Companies Act 1956.

Management replies to the Auditor Report are attached as Annexure-III to this report.

**22. COST AUDITOR :**

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 13<sup>th</sup> June, 2006 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 31<sup>st</sup> March, 2008 and 31<sup>st</sup> March 2009.

**23. 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.

**24. 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

**Ajai Kumar**  
Chairman-cum-Managing Director

Place : Lucknow

Date : 30<sup>th</sup> July, 2008

**ANNEXURE -I****I. CONSERVATION OF ENERGY :****(a) Measures being taken****Compressors**

- ❖ Stopping wastage of compressed air.
- ❖ Periodic servicing of suction filters, moisture traps, unloader and delivery valves.

**Water**

- ❖ Monitoring of control of water wastage.
- ❖ Recycling of cooling water.

**Power**

- ❖ Control of maximum demand in peak hours.
- ❖ Monitoring and control of power factor on regular basis.
- ❖ Monitoring and control of electricity consumption in different sections of the plant.
- ❖ By using low consumption accessories and equipments.
- ❖ Full capacity utilization of ovens and furnaces.

**(b) Additional investment and proposals**

- ❖ Installation of power monitoring equipments at 33 KV Sub station and plant.

**(c&d) Impact of Energy Consumption Measures, Total energy consumption and energy consumption per unit of production as per Form 'A' in respect of industries specified in the scheme thereto.**

- ❖ The details are given in attached Annexure 1-A.

**II. TECHNOLOGY ABSORPTION :**

- ❖ Efforts made in technology absorption as per Form-B attached as Annexure I-B.

**III. FOREIGN EXCHANGE EARNINGS AND OUTGO :****(a) Efforts and initiative in relation to exports :**

- ❖ Foreign exchange on account of Royalty income has decreased from **Rs. 248.71 lakhs** in the previous year to **Rs. 167.32 lakhs** in the current year. Foreign Exchange earned by way of export of goods is **Rs.20.62 lakhs** in 2007-08 as compared to **Rs. 18.19 lakhs** during previous year.

**(b) Earnings and Outgo :**

	<u>2006-2007</u>	(Rs. in lakhs) <u>2007-2008</u>
Foreign Exchange earnings	266.90	187.94
Foreign Exchange outgo	24.06	15.39