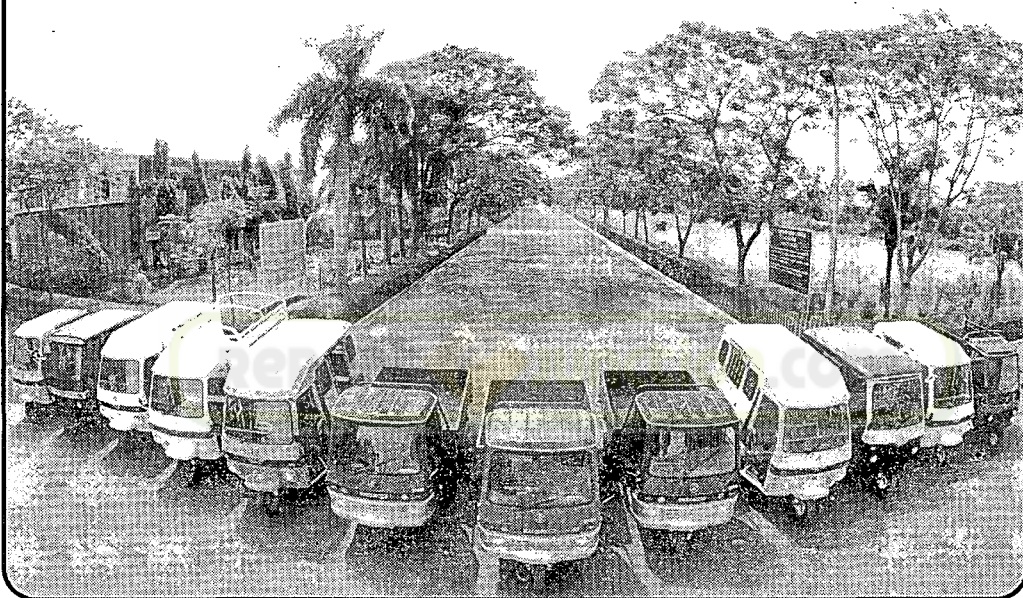


# **37<sup>th</sup> ANNUAL REPORT**

## **2008-09**

**Any thing that moves...  
...moves better with "Vikram"**



## **Scooters India Limited**

**(A Government of India Enterprise)**

**An ISO 9001 Company**



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**SCOOTERS INDIA LTD.**

Serving the Common man Since 1972



SCOOTERS INDIA LIMITED

**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 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**

Avanish K. Rastogi & Associates  
Chartered Accountants  
F-10A, Khushuma Complex-7,  
R.F Bahadur Marg, Near State  
Guest House, Lucknow-226 001

**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 Dharendra Tripathi & Co., Chartered Accountants, C-121, Indira Nagar, Lucknow-226 016.	M/s A.K. Mukherjee & Co. Chartered Accountants, 58/1, Kali Banerjee Lane, Howrah-711 101.
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M/s Jayaswal Associates, Chartered Accountants, A-160, IInd Floor, Vikas Marg, Shakarpur, Delhi-110 092.	M/s R. Balaji & Co. Chartered Accountants, New No.2, Balaji Street, Rangarajapuram, Chennai-600 024.
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M/s Karandikar & Co. Chartered Accountants, 6, Amit Complex, 474-B, Sadashiv Peth Opp. New English School Tilak Road, Pune-411030	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.
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**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
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## DIRECTORS' REPORT

Dear Shareholders,

The Board of Directors of your Company is pleased to present the **37<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, 2009.

### 1. PRODUCTION REVIEW :

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

Description	<u>2007-2008</u>	<u>2008-2009</u>
Three wheelers	11,512	10,107

### 2. SALES REVIEW :

The Sales performance for the year is shown below :

Description	<u>2007-2008</u>		<u>2008-2009</u>	
	Physical (in Nos.)	Financial (Rs. in lakhs)	Physical (in Nos.)	Financial (Rs. in lakhs)
Three Wheelers	12,221	13,477.22	11,139	11,872.03
Spares	-	902.88	-	738.88
Petrol, Diesel, Lubricants etc.	-	834.93	-	947.30
Other Sales	-	62.84	-	104.05
<b>TOTAL</b>	-	<u>15,277.87</u>	-	<u>13,662.26</u>

### 3. FINANCIAL REVIEW :

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

	<u>2007-2008</u>	<u>2008-2009</u>
		(Rs. in Lakhs)
a) Profit/(Loss) before Depreciation	(2,058.53)	(2,599.94)
b) Depreciation	184.70	173.91
c) Profit/(Loss) for the year	(2,243.23)	(2,773.85)
d) Prior period adjustment (Net Income)	-	15.18
e) Income Tax	-	-
f) FBT	4.05	6.76
<b>Net Profit/(Loss) (PAT)</b>	<u>(2,247.28)</u>	<u>(2,765.43)</u>

During the year under review the company registered a loss of Rs. 27.65 crores as compared to Rs. 22.47 crores in the previous years.

### 4. CONTRIBUTION TO NATIONAL EXCHEQUER

The company has contributed a sum of Rs. 2,905.41 lakhs to the exchequer during the period under review.



## 5. EXPORTS

Your company has achieved exports of Rs. 88.43 lakhs during the period under review. The royalty income by way of foreign exchange remittances amounted to Rs. 160 lakhs during the year.

## 6. MANAGEMENT DISCUSSION AND ANALYSIS:

### (A) Mission, Vision & Objective

- |                  |   |
|------------------|---|
| <b>Vision</b>    | To improve the performance of the company so as to be competitive and profitable through constantly improving existing products, adding new products and expanding customer base.   |
| <b>Mission</b>   | To fulfill customers' 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 of 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, introduction of 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 2008-09 as against 2007-08 is given below :

<u>Category</u>	<u>Production</u>	
	<u>Apr.07-Mar.08</u>	<u>Apr.08-Mar.09</u>
<b>Segment/Sub-segment</b>		
Passenger Carrier	3,71,060	4,17,681
Goods Carrier	1,29,600	83,349
<b>Total :</b>	<b>5,00,660</b>	<b>5,01,030</b>
	<u>Sales</u>	
Passenger Carrier	2,34,774	2,68,489
Goods Carrier	1,30,007	81,230
<b>Total :</b>	<b>3,64,781</b>	<b>3,49,719</b>

Note : Sales excludes Export of 1,41,225 Nos. in 2007-08 and 1,48,074 Nos. in 2008-09.

Source-SIAM

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 the leader in passenger carrier (6+1) segment of vehicles and has a share of 66.08% in 2008-09 as against 55.35% in 2007-08. With various cities legislating in favour of CNG/LPG vehicles the company has introduced CNG vehicles (1000CC) during the year 2008-09 and is geared up to introduce new products on LPG mode during 2009-10.

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

- Rapid urbanization with cities becoming larger and ever need for mobility and need for economically viable transport solution, however this domestic demand for 3-wheelers passengers version is driven by availability of permits.
- Govt. focus on strengthening road network which means more connectivity between cities and rural areas.
- Increased demand from semi-urban & rural areas for 3-wheelers having high product maneuverability and drivability.
- Suitability for congested Indian road and tropical conditions.
- Reduction in price of the 3-wheelers due to reduction in excise duty made by Govt. in financial year 2008-09.
- Self employment opportunity for a large segment of youth.

**(C) Resources and Liquidity :**

In view of the continuing cash losses, the company's liquidity position was under extreme strain and the Company has taken non-plan salary support of Rs. 9.45 crores from GOI for disbursement of salary and wages for the months of February & March, 2009.

**(D) Quality :**

Your company is an ISO 9001 : 2000 company. The company has taken several initiatives including manufacturing of no problem vehicle and up-gradation of its products to ensure that the best quality products are made available to its customers.

**(E) Opportunities & Threats :**

**E.1. Opportunities :**

- ❖ Improving infrastructure and high growth economy are creating more demand for transport.
- ❖ Last mile logistic market is growing very fast.
- ❖ Growing need for intercity transport.
- ❖ Rural market.
- ❖ Availability of CNG/LPG for auto sector.

**E.2 Threats :**

- ❖ Smaller passenger vehicle and sub 1.0 ton load carriers on 4-wheels have been introduced/ is being introduced by other automobile companies.
- ❖ Rise in cost of fuel and control in issue of permits by Regional Transport Authorities shall continue to pose problem for growth of 3-wheeler industry.
- ❖ Increasing tough and demanding CMVR requirements of safety and emissions.

**(F) Future Outlook :**

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

- ❖ 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.

- ❖ 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.
- ❖ Though 3-Wheeler as an industry continue to grow but increase in competition and availability of 4-Wheeler in 1.0 ton and sub 1.0 ton category is expected to aggravate the extremely competitive scenario and impact the volumes & margin.
- ❖ Strict regulatory laws concerning pollution and their strict implementation by judiciary for banning sale of diesel vehicles in certain states shall act as deterrent for company growth.
- ❖ SIL has lesser presence in small 3-wheeler segment which has strong market preference. In this segment contribution is lower and competition is higher as established players viz. Piaggio, Mahindra etc. dominate the market.
- ❖ LPG would provide a wider geographical and eco-friendly solution as CNG is only possible wherever pipeline is available. Our faster development of product based on LPG would be a challenge needing to be met successfully.
- ❖ Emission and safety norms are getting continuously upgraded by authorities which call for product up-gradation and investment to meet the requirements of CMV Rules for BS III emission norms applicable from April 2010.

## (ii) Strategic Road Map :

There has been negative growth in Auto sector in India in line with international trends during the past year. The performance of your company continues to be under strain. Major factors attributable to the weak performance of SIL are as under :

- Increase in prices of raw material
- Negative growth in the Industry
- Non-availability of adequate credit facilities.
- General Economic slow down

The market outlook for current year 2009-10 appears promising.

The performance of your company has been under stress since 2002-03. With the help of Govt. of India, a short term project (known as JAGRITI Project) 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; in addition to addressing various manufacturing, quality and supply related issues. Under this project the company has developed no problem vehicle for improved reliability and customer acceptance.

The company is working to design and improve system/sub-system for meeting future CMVR requirements. The company is geared up to meet the requirements of BS III emission and safety norms for its products w.e.f. 1.4.2010.

In view of net worth becoming negative the company has embarked upon preparation of comprehensive business plan to ensure long term sustenance of the company. A renowned consultant has been appointed for the preparation of Business Plan which will be submitted to BRPSE/BIFR through DHI shortly.

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

An expenditure of Rs. 14.68 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 1.4.2009 TO DATE :**

No material change and commitments have been made by the company from 01-04-09 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 :**

Information under Sec. 217(2-A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 be treated as NIL as none of the employee of the company is getting salary more than the prescribed limit.

**11. INDUSTRIAL RELATIONS :**

During the year under review, that is 1.4.2008 to 31.3.2009, the industrial relations in the Company were under stress mainly due to financial crisis.

**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 03.11.2008 to 07.11.2008. 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, Energy Conservation, Total Productive Maintenance, Safety, Customer Satisfaction, Quality & Environmental Management Systems, Productivity and Work Culture.

**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 TRIBE :**

As on 31.3.2009, the total strength of the Company is 1366. Out of these, 277 employees belong to Scheduled Castes and 01 employees to Scheduled Tribe.

**16. DIRECTORS :**

Shri Ajai Kumar was appointed as Chairman-cum-Managing Director w.e.f. 23<sup>rd</sup> April 2008. Shri P.P. Sarkar, Director Technical, Shri Vikram Gulati, Director & Shri S.K. Tripathi, Director retire





by rotation at ensuing annual general meeting and being eligible had offered themselves for re-appointment. The Board commends for their re-appointment at ensuing annual general meeting.

#### 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 2009, 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 2009 on a 'going concern' basis.

#### 18. ADEQUACY OF INTERNAL CONTROL :

The Company has proper and adequate system of internal controls to ensure that all activities are monitored and controlled against any unauthorized use of disposal of assets, and that the transactions are authorized, recorded and reported correctly.

The Company 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 under Companies (Acceptance of Deposit) Rules, 1975 during the year.

#### 20. STATUS OF REPAYMENT OF LOAN FROM GOI

Due to financial crisis the company has not re-paid principal amount of Rs. 157.66 lakhs and interest of Rs. 54.93 lakhs during the period under review.

#### 21. AUDITORS REPORT :

M/s Avanish K. Rastogi & Associates, Chartered Accountants have been appointed by the Comptroller and Auditor General of India, as Statutory Auditors of the Company for the year 2008-09. The Statutory Auditors' Report on the Accounts of the Company for the financial year ended 31<sup>st</sup> March, 2009 alongwith Management replies are enclosed at Annexure-III & V respectively.

The Accounts of the Company were submitted to the Comptroller & Auditor General of India for their report under Section 619(4) of the Companies Act 1956 and their report is appended as annexure-IV.

#### 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 29<sup>th</sup> Jan, 2008 from the Government of India, Ministry of Corporate Affairs, for auditing cost records relating to manufacture of Motor Vehicles for the financial year ending 31<sup>st</sup> March, 2009

**23. CORPORATE GOVERNANCE :**

A certificate from M/s Avanish K. Rastogi & Associates, 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 A to this report.

**24. REFERENCE TO BIFR/BRPSE**

As per annual accounts for the year ended at 31st March, 2009, the network of the Company has been fully eroded and accumulated losses exceeded the network of the Company. In terms of the provisions of section 3(1)(o) of the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA), the Company has become sick industrial company & reference is required to be made with BIFR in terms of the provisions of section 15 of the SICA. The Company has decided to make reference to BIFR accordingly.

Your Company being a PSU has to comply with the BRPSE guidelines in addition to provisions of SICA. Accordingly the Company has embarked upon preparation of comprehensive business plan to ensure long term sustenance of the company. A renowned consultant has been appointed for the preparation of Business Plan which will be submitted to BRPSE/BIFR through DHI shortly.

**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, Deptt. of Public Enterprises, 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 are deeply grateful to the shareholders for reposing the confidence and faith in us.

For and on behalf of the Board

**Ajai Kumar**

Chairman-cum-Managing Director

Place : Lucknow

Date : August 25, 2009