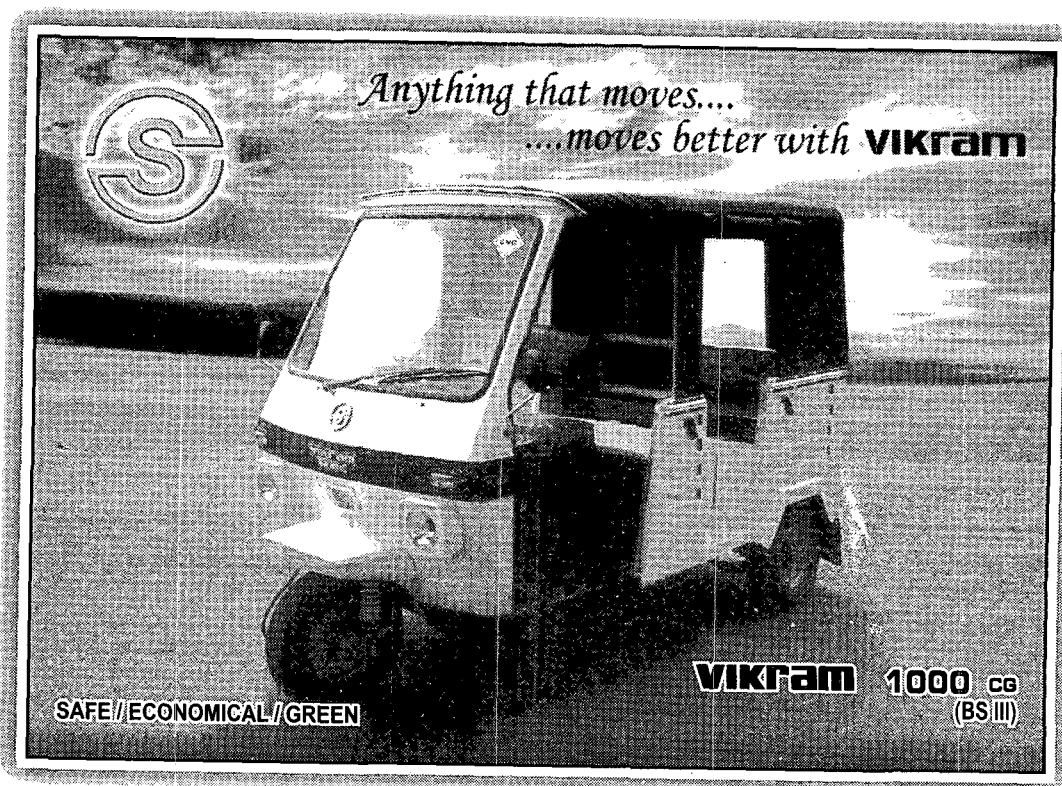


38th ANNUAL REPORT

2009-10



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



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
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
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Independent Directors

Shri S.K. Tripathi	- Director	w.e.f. 06.07.2007 till 05.07.2010
Shri P. K. Brahma	- Director	w.e.f. 08.02.2007 till 07.02.2010
Prof. S. Chakraborty	- Director	w.e.f. 31.01.2007 till 30.01.2010

Statutory Auditor

S. Srivastava & Co.
Chartered Accountants
1/12, Vivek 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,
(16th Mile Stone),
Post Bag No. 23 (GPO),
(P.O.) Sarojini Nagar,
Lucknow-226008.

Registrar & Transfer Agent

Skyline Financial Services Pvt. Ltd.,
D-153/A, 1st Floor, Okhla
Industrial Area Phase-1,
New Delhi-110020
Tel. : 011-26812682, 83 & 84
Fax : 011-26812681

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.

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.

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, 2nd 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.,
1st Floor,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai - 400001

**DIRECTORS' REPORT**

Dear Shareholders,

The Board of Directors of your Company is pleased to present the **38th 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, 2010.

1. PRODUCTION REVIEW :

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

Description	<u>2008-2009</u>	<u>2009-2010</u>
Three wheelers	10,107	12,178

2. SALES REVIEW :

The Sales performance for the year is shown below :

Description	<u>2008-2009</u>		<u>2009-2010</u>	
	Physical (in Nos.)	Financial (Rs. in lakhs)	Physical (in Nos.)	Financial (Rs. in lakhs)
Three Wheelers	11,139	11,872.03	11,720	12,492.07
Spares	-	738.88	-	468.03
Petrol, Diesel, Lubricants etc.	-	947.30	-	1,024.34
Other Sales	-	104.05	-	73.63
TOTAL	-	<u>13,662.26</u>	-	<u>14,058.07</u>

3. FINANCIAL REVIEW :

The salient features of the Company's financial results for the year under review are as follows:
(Rs. in Lakhs)

	<u>2008-2009</u>	<u>2009-2010</u>
a) Profit/(Loss) before Depreciation	(2,599.94)	(2,637.40)
b) Depreciation	173.91	151.44
c) Profit/(Loss) for the year	(2,773.85)	(2,788.84)
d) Prior period adjustment	15.18	(11.70)
e) Income Tax	-	-
f) FBT	6.76	-
Net Profit/(Loss) (PAT)	(2,765.43)	(2,800.54)

The production and sales performance of the Company improved during the year under report. However the company registered a loss of Rs. 28.01 crores (including extra-ordinary provision of Rs. 5.77 crores on account of enhancement of entitlement limit of gratuity from Rs. 3.5 lacs to Rs. 10 lacs) compared to Rs. 27.65 crores in the previous year.

4. CONTRIBUTION TO NATIONAL EXCHEQUER

The company has contributed a sum of Rs. 2,700.00 lakhs to the exchequer during the period under review.



5. EXPORTS

The company has achieved exports of Rs. 23.71 lakhs during the period under review. The royalty income by way of foreign exchange remittances amounted to Rs. 134.96 lakhs during the year.

6. MANAGEMENT DISCUSSION AND ANALYSIS:

(A) Mission, Vision & Objective

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

(B) MARKET SCENARIO

- (i) The total number of 3-wheelers produced and sold in the domestic market by manufacturers in India during the year 2009-10 as against 2008-09 is given below :

<u>Category</u>	<u>Production</u>	
	<u>Apr.08-Mar.09</u>	<u>Apr.09-Mar.10</u>
Segment/Sub-segment		
Passenger Carrier	4,17,434	5,30,203
Goods Carrier	79,586	88,890
Total :	4,97,020	6,19,093
	<u>Sales</u>	
Passenger Carrier	2,68,463	3,49,662
Goods Carrier	81,264	90,706
Total :	3,49,727	4,40,368

Note : Sales excludes Export of 1,48,066 Nos. in 2008-09 and 1,73,282 Nos. in 2009-10.

Source-SIAM

Scooters India Limited has been a pioneer in bringing out various models of 3-wheelers running on diesel, electric and CNG 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 83.82% in 2009-10 (SIL sales 2709 Nos. out of 3232 Nos.) as against 66.20% in 2008-09 (SIL sales 2840 Nos. out of 4290 Nos.). With Govt. of India notification regarding implementation of BS-III norms across the country from 1st April 2010, the company has got its all five models certified for BS-III pollution norms from ARAI, Pune.

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

- Fast development of infrastructure and focus of both Central as well as State Govt. on infrastructure mainly on roads the demand of 3-wheeler has seen as upward trend. The demand driver for 3-wheeler are its affordability as an economical viable transport solution, however, the demand for 3-wheeler passenger carrier is driven by availability of permits issued by various RTOs.
- Increased demand from semi-urban & rural areas for 3-wheelers having high product maneuverability and drivability.
- Suitability for congested Indian road and tropical conditions.
- Self employment opportunity for a large no. of youths especially as the Govt. has focused on various schemes for the unemployed youth.
- 3-wheeler of smaller capacity are in great demand in load carrier segment which is set to increase because of increase in retail marketing across the country resulting in faster and cheaper transportation in 0.5 ton - 1 ton segment which is entered by smaller 3-wheeler.

(C) Resources and Liquidity :

In view of the continuing cash losses, the company's liquidity position was under extreme strain and the Company received non-plan salary support of Rs. 28.43 crores from GOI for disbursement of salary and wages for the month of April to Sept. 2009, salary support for Oct. to Dec. 2009 by way of non plan support of Rs. 10.93 crores was received in June 2010 and accordingly the same was disbursed.

(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 :

- ❖ Growing automobile sector including three-wheelers.
- ❖ Untapped markets-Rural, South, West & Exports
- ❖ Developing hub and spoke transportation model.
- ❖ Increasing allocation of funds for poverty alleviation under various Govt. Schemes like PMRY, SC/ST, NREGP etc.
- ❖ Rapidly growing awareness about vehicular pollution leading to policy formulation for increase use of alternate fuel vehicles.
- ❖ Options for technology infusion.
- ❖ Rapidly growing GAIL network for CNG/LPG supply.

E.2 Threats :

- ❖ Increase in product substitution effect by rapidly growing 4WSCV.
- ❖ Increase in competition both from organized and unorganized players.



- ❖ Strict enforcement of the pollution norms and Passenger Vehicle permits.
- ❖ Increased customer expectations.
- ❖ Suitable engine for Bajaj dominated small A1 segment Passenger Carrier, i.e. 200cc, not yet available.

(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 & margins.
- ❖ 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 Sept. 2010.
- ❖ Employees aspiration for effecting revision in salary and wages and increase in retirement age from 58 to 60 years.

(ii) Strategic Road Map :

There has been positive growth in Auto sector in India in line with economic trends during the past year. The performance of your company has improved in comparison to the previous year, however growth has not been matching up with the growth in Auto sector due to various reasons including low productivity. The Company has been declared sick and referred to BIFR under section 15 (1) of SICA, 1985. M/s Price Waterhouse Coopers were appointed for preparation of comprehensive Business Plan for revival of the company. The Business Plan for revival of SIL is under consideration of the GOI.

7. EXPENDITURE ON ADVERTISEMENT AND PUBLICITY :

An expenditure of Rs. 6.25 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 1.4.2010 TO DATE :

No material change and commitments have been made by the company from 01-04-10 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 1.4.2009 to 31.3.2010, the industrial relations in the Company continued to be under stress mainly due to non fulfillment of employees aspirations in wake of financial crises.

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 03.11.2009 to 07.11.2009.

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 Affairs, 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 31.3.2010, the total strength of the Company is 1205. Out of these, 265 employees belong to Scheduled Castes and 03 employees to Scheduled Tribe.

16. DIRECTORS :

Shri Ajai Kumar & Shri P. Muthusamy 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. Term of Shri S. Chakraborty, Shri P.K. Brahma & Shri S.K. Tripathi, Part time Non official Directors (Independent Directors) completed on 30.01.2010, 07.02.2010 & 05.07.2010 respectively. The Board records the appreciation for contribution made by aforesaid Independent Directors during their association with the Company. The Company has taken up the matter with DHI for filling up the vacant positions on the Board.

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 31st March 2010, 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 31st March 2010 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. 398.80 lakhs and interest of Rs. 228.37 lakhs during the period under review.

21. AUDITORS REPORT :

M/s S. Srivastava & Co., Chartered Accountants have been appointed by the Comptroller and Auditor General of India, as Statutory Auditors of the Company for the year 2009-10. The Statutory Auditors' Report on the Accounts of the Company for the financial year ended 31st March, 2010 alongwith Management replies are enclosed at Annexure-III & V.

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 by the Govt. of India, Ministry of Corporate Affairs, for auditing cost records relating to manufacture of Motor Vehicles for the financial year ending 31st March 2010.

23. CORPORATE GOVERNANCE :

A certificate from M/s S. Srivastava & Co., 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. REFERENCE TO BIFR/BRPSE :

On 18th February, 2010, BIFR has declared the Company as sick industrial company in terms of the provisions of section 3(1)(o) of the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA) on reference being made after full erosion of the Networth of the Company, as per annual accounts for the year ended at 31st March, 2009. Your Company being a Central PSU has also been referred to BRPSE in addition to BIFR.

The business plan for revival of SIL is under consideration of GOI.

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 and Public Enterprises, BIFR, BRPSE, 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 27th, 2010