

40th ANNUAL REPORT

2011-12



Scooters India Limited

(A Government of India Enterprise)

An ISO 9001 Company



Contents	Page No.
<i>Board of Directors</i>	3
<i>Directors' Report</i>	4
<i>Management Discussion & Analysis</i>	5
<i>Corporate Governance Report</i>	15
<i>Auditors' Report</i>	24
<i>Comments of C & AG u/s 619(4) of the Companies Act. 1956</i>	33
<i>Management Replies to the Auditors' Report</i>	34
<i>Baiance Sheet</i>	40
<i>Profit & Loss Statement</i>	41
<i>Cash Fiow Statement</i>	42
<i>Accounting Poicies & Notes Annexed to and forming part of the accounts</i>	44
<i>Notice</i>	73



SCOOTERS INDIA LTD.

Serving the Common man Since 1972



BOARD OF DIRECTORS

Functional Director

- Shri Ajai Kumar - Chairman-cum-Managing Director w.e.f 23.04.2008
 Shri P. P. Sarkar - Director (Technical) Relieved on 15.05.2012

GOI, Nominee Directors

- Shri Harbhajan Singh - GOI, Nominee Director w.e.f 13.09.2011
 Shri Vikram Gulati - GOI, Nominee Director w.e.f 16.11.2007 to 06.09.2011
 Shri S.K. Goyal - GOI, Nominee Director w.e.f. 17.05.2012

Statutory Auditor

S. Srivastava & Co.
 Chartered Accountants
 C/o Vijay Shankar Mathur
 2/165, Vijay Khand, Gomti Nagar,
 Lucknow-226010 (U.P)

Cost Auditors

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

Bankers

State Bank of India
 Indian Overseas 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., M/s B. Biswas & Co.
 Chartered Accountants, Chartered Accountants,
 C-121, Indira Nagar, 67/2, East Kapte Para Road
 Lucknow-226 016. Nehru Market, Shyam Nagar,
 24, Parganas (N)
 West Bengal-743127

M/s Jayaswai Associates,
 Chartered Accountants,
 A-160, 1st Floor,
 Vikas Marg, Shakarpur,
 Delhi-110 092.

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

M/s K.S. Karandikar & Co.
 Chartered Accountants,
 6, Amit Complex,
 474-B, Sadashiv Peth
 Opp. New English School
 Tilak Road, Pune-411030

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 **40th 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, 2012.

1. PRODUCTION REVIEW :

The production performance of the Company has increased considerably and recorded highest production during the year as under :

Description	<u>2010-2011</u>	(Nos.) <u>2011-2012</u>
Three wheelers	14,381	17,512

2. SALES REVIEW :

The Sales performance also increased leading to highest sales during the year as shown below:

Description	<u>2010-2011</u>		<u>2011-2012</u>	
	Physical (in Nos.)	Financial (₹ in lakhs)	Physical (in Nos.)	Financial (₹ in lakhs)
Three Wheelers	14,039	15,770.98	17,584	20,656.36
Spares	-	464.42	-	654.37
Petrol, Diesel, Lubricants etc.	-	1,240.12	-	1,364.13
Other Sales	-	77.85	-	123.98
TOTAL	-	<u>17,553.37</u>	-	<u>22,797.84</u>

3. FINANCIAL REVIEW :

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

Description	<u>2010-2011</u>	<u>2011-2012</u>
a) PBDIT	(523.84)	(319.12)
b) Profit before Interest, Depreciation & Exceptional items	(523.84)	(2.42)
c) Profit before Exceptional items	(1,711.14)	(1,677.29)
d) Profit(Loss) for the year	(1,711.14)	(1,993.99)

During the year under report :

- (1) The loss before depreciation, interest & taxes decreased by ₹ 204.72 lakhs.
- (2) The loss before depreciation, interest & taxes and exceptional items has decreased by ₹ 521.42 lakhs.
- (3) The net loss before Exceptional items has decreased by ₹ 33.85 lakhs as compared to the corresponding previous year.
- (4) However, the net loss after exceptional items for the year has increased by ₹ 282.85 lakhs as compared to the previous year.

4. CONTRIBUTION TO NATIONAL EXCHEQUER

The company has contributed a sum of ₹ 4,837.65 lakhs to the exchequer during the period under review vis-a-vis ₹ 3,811.49 lakhs during previous financial year.

5. EXPORTS

The company has achieved exports of ₹ 60.36 lakhs during the period under review. The royalty income by way of foreign exchange remittances is NIL 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**
- To achieve 10% increase in production.
 - To achieve 5% decrease in cost.
 - Rationalization of Manpower.
 - To reduce energy input per unit of production.

(B) MARKET SCENARIO

- (i) The total number of 3-wheelers produced and sold in the domestic market by manufacturers in India during the year 2011-12 as against 2010-11 is given below :

<u>Category</u>	<u>Production</u>	
<u>Segment/Sub-segment</u>	<u>Apr.10-Mar.11</u>	<u>Apr.11-Mar.12</u>
Passenger Carrier	696,984	767,173
Goods Carrier	102,569	110,538
Total :	799,553	877,711
	<u>Sales</u>	
Passenger Carrier	425,358	406,236
Goods Carrier	100,666	107,015
Total :	526,024	513,251

Note : Sales excludes Export of 269,968 Nos. in 2010-11 and 362,876 Nos. in 2011-12.

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 popularization of 3-wheelers of larger capacity in the country. With focused efforts and approach, SIL has achieved highest ever sales of 17,569 nos. in 2011-12. This is an increase of 25% over the sales made in 2010-11 whereas the domestic market of three wheelers has shown negative trend (-) 2.43% compared to previous year. This has also resulted in increasing the SIL market share from 2.67% in 2010-11 to 3.43% in 2011-12.

The company continues to be the leader in larger capacity of vehicles i.e. passenger carrier (6+1) segment and goods carrier exceeding 1 ton of vehicles. The market share of company is 59.1% in 2011-12 (SIL sales 6,904 of vehicles out of 11,685 nos.)

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



- *Rapid development of infrastructure and focus of both Central as well as State Govt. on infrastructure mainly on roads, the demand of 3-wheeler may see an upward trend in coming years. The demand driver for 3-wheeler are its affordability as an economical viable transport solution, however, the demand for 3-wheeler passenger carrier depends by availability of permits issued by Local RTOs.*
- *Increased demand from semi-urban & rural areas for 3-wheelers because of its high product manoeuvrability and drivability.*
- *Suitability of 3-wheelers for congested Indian roads and tropical conditions.*
- *Self employment opportunity for a large no. of youths especially with the Govt. focus on various schemes for the unemployed youths.*
- *3-wheeler of smaller capacity are in great demand in load carrier segment because of increase in organised retail marketing across the country which requires faster and cheaper transportation.*
- *3-wheeler is a low cost transport solution to daily commuting passenger. Hence the market for 3-wheelers shall continue to be there because of higher cost of transportation in other modes of transport like taxi, contract carriages, buses etc.*
- *3-wheelers are also better earning opportunity for unemployed youths. With a minimum expenditure i.e. ₹ 45,000 – ₹ 50,000 (margin money) one can start earning ₹ 300 – ₹ 400 per day right from the day one of purchasing a new 3-wheeler.*

(C) Resources and Liquidity :

In view of the continuing cash losses, the company's liquidity position was under strain.

(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. Vehicle reliability has improved significantly which has generated goodwill leading to better sales.

(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, NREGA etc.*
- *Rapidly growing awareness about vehicular pollution leading to policy formulation for increase use of alternate fuel vehicles.*
- *Options for technology infusion.*
- *Rapidly growing network for CNG/LPG supply.*

E.2 Threats :

- *Increase in product substitution effect by rapidly growing 4 Wheel Small Commercial Vehicle.*
- *Increased competition both from organized and unorganized players.*
- *Strict enforcement of the pollution norms and Passenger Vehicle permits.*

- Increased customer expectations.
- Rising interest and fuel cost could dampen demand for company's products.
- Volatility in Raw Materials prices/input and difficulty in passing on cost increase.

(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 still 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.
- Retention of young officers who joined in the last couple of years is difficult as private/ other PSUs are offering substantially higher remuneration. Young executives are regularly leaving for greener pastures.
- Though 3-Wheeler as an industry continue to grow but increase in competition and availability of 4-Wheelers 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 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.
- Employees' aspiration for effecting revision in salary and wages and increase in retirement age from 58 to 60 years.

(ii) Strategic Road Map :

Although there has been negative growth in three wheeler segment of Auto sector in India, the performance of your company has improved considerably in comparison to the previous year. Monthly production of vehicles has shown significant improvement. Your company is evaluating various new product development options to cater to various market segments with a view to higher production and sales.

(iii) Status Before BIFR

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. Last meeting of BIFR was held on 16th July, 2012, and the next meeting is scheduled on 3rd October, 2012. The Business Plan for revival of SIL is under consideration of GOI.

7. EXPENDITURE ON ADVERTISEMENT AND PUBLICITY :

An expenditure of ₹ 9.74 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 1.4.2011 TO DATE :

No material change and commitments have been made by the company from 01-04-11 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 - 1, 1-A and 1-B** 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 1.4.2011 to 31.3.2012, the industrial relations in the Company continued to be under stress mainly due to non fulfillment of employees' aspirations. The aspiration of employees regarding Wage Revision and retirement age could not be fulfilled due to Company's financial health.

12. VIGILANCE :

Vigilance Group continues to function with particular emphasis on the aspects of preventive and corrective vigilance. Strict vigil was exercised over various activities as part of Preventive Vigilance measures and suggestions were made to Management for system improvement. Company also observed Vigilance Awareness Week from 31.10.2011 to 05.11.2011.

13. HUMAN RESOURCE DEVELOPMENT :

Employees of the Company are the most important constituent and Company understands that without their motivation and development Company can not progress. The Company has been analyzing developmental needs in technical and managerial areas and provides requisite training and exposure to the employees at all levels in the area on Professional Excellence through Motivation, Advance Engine Combustion & Diagnostics, Competence Building for Effective Management, Healthcare Services, Part Programming for CNC Machines, Leadership Strategies for Building Excellence, Quest for Excellence Imperatives for India PSUs, Health, Safety, Environment Protection through Legal Reforms & technological Innovations, Building & Leading Effective Teams, Safety Engineering & Management, Value Based Management, Legal framework for Cost Audit Compliances, Cost Accounting Record Rule 2011 & Cost Audit Report Rules 2011, Finance for Non-finance Executives, International Commercial Practices, Energy Conservation, House Keeping 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 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 on Republic Day.

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

As on 31.3.2012, the total strength of the company is 796. Out of these, 219 employees belong to Scheduled Castes and 01 employee to Scheduled Tribe.

16. DIRECTORS :

Shri Harbhajan Singh, Jt. Secretary, has joined as Part time Official Director w.e.f 13th Sept. 2011 vice Shri Vikram Gulati who ceased to be Director on 6.9.2011. Tenure of Shri P.P. Sarkar, Director (Technical) came to an end on 15.05.2012. Shri S.K. Goyal has been nominated by GOI as part time non-official Director on the Board of SIL w.e.f 17.05.2012. The Company has taken up the matter with Ministry for filling up the vacant positions of Independent Directors as well as Director (Finance) & Director (Technical) on the Board.

The Board records the appreciation for contribution made by aforesaid Directors during his association with the Company.

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 2012, 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 2012 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 continuing losses the company has not re-paid principal amount of ₹ 2643.83 lakhs and interest of ₹ 2217.38 lakhs as on 31.03.2012.



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 2011-12. The Statutory Auditors' Report on the Accounts of the Company for the financial year ended 31st March, 2012 alongwith Management replies are enclosed at **Annexure-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 2012.

Cost audit report for the year ended at 31st March, 2011 was submitted with the Ministry of Corporate Affairs on 26.09.2011.

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. 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 23, 2012