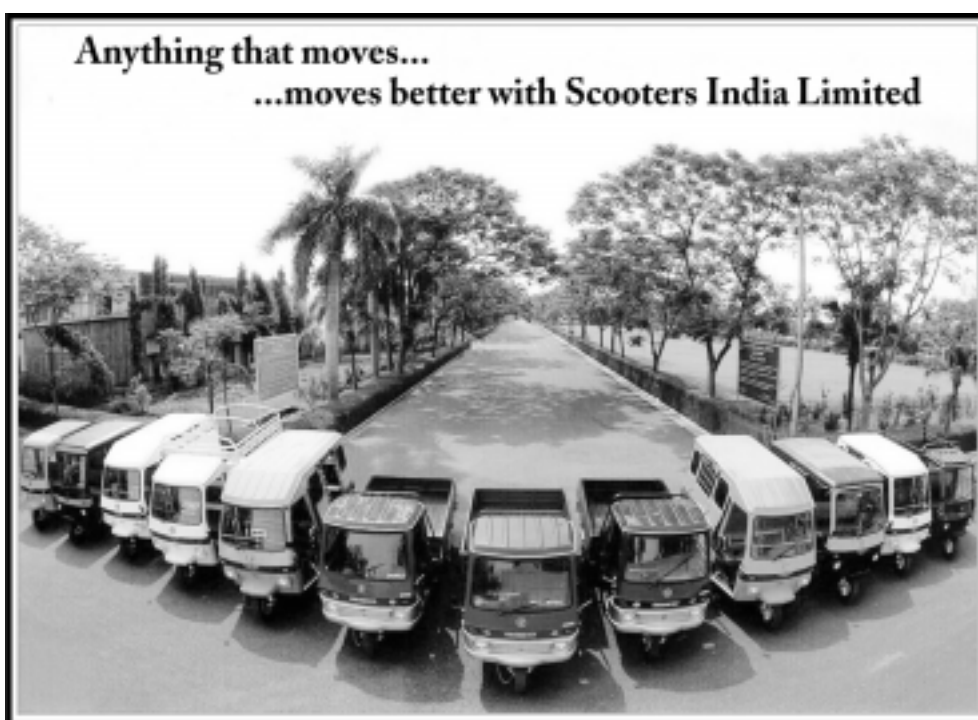


43rd ANNUAL REPORT 2014-15



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 Directors

Shri R.K. Singh, IAS	- Chairman & Managing Director (Additional Charge)	w.e.f. 15.05.2013 to till date
Shri Rahul Bali	- Director (Technical)	w.e.f. 02.04.2013 to till date

GOI, Nominee Directors

Shri Dinesh Kumar	- GOI, Part time Non official Director w.e.f. 25.03.2014 to 22.09.2014
Shri Arvind Kumar	- GOI, Part time Non official Director w.e.f. 08.08.2014 to 06.11.2014
Shri A.M. Manichan	- GOI, Part time Non official Director w.e.f. 23.09.2014 to till date
Shri A.K. Deori	- GOI, Part time Non official Director w.e.f. 07.11.2014 to 22.04.2014
Shri Pravin Agrawal	- GOI, Part time Non official Director w.e.f. 23.04.2015 to till date

Statutory Auditor

D.S. Shukla & Co.
Chartered Accountants
GF-2 Ekta Appartment
125, Chandralok Colony
Lucknow (U.P.)

Cost Auditors

Sunil Singh & Co.
SSCO Tower D-2/28,
Vibhuti Khand, Gomti Nagar
Lucknow-226010

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

Vimal Dixit & Associates
Chartered Accountants
65/75, Chitwapur Road, Opp. Vikas Deep Building,
Station Road, Lucknow-226001 U.P.

M/s B. Biswas & Co.
Chartered Accountants
67/2, East Kapte Para Road, Nehru Market, Shyamnagar,
24 Parganas (N), West Bengal-743127

Nemani & Associates
Chartered Accountants, Flat No. 108, S.R. Complex,
Habsiguda, Hyderabad-500 007

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

M/s Jayaswal Associates
Chartered Accountants
A-160 II Floor, Vikas Marg, Shakarpur, Delhi-110092

STOCK EXCHANGES

The Delhi Stock Exchange	Bombay Stock Exchange Ltd.,
Association Ltd.,	1 st Floor,
DSE House,	Phiroze Jeejeebhoy Towers,
3/1 Asaf Ali Road,	Dalal Street,
New Delhi - 110002	Mumbai - 400001

**DIRECTORS' REPORT**

Dear Shareholders,

The Board of Directors of your Company is pleased to present the **43rd 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, 2015.

1. PRODUCTION REVIEW :

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

Description	<u>2013-2014</u>	(Nos.) <u>2014-2015</u>
Three wheelers	14,584	13,057

2. SALES REVIEW :

The Sales performance for the year is shown below :

Description	<u>2013-2014</u>		<u>2014-2015</u>	
	Physical (in Nos.)	Financial (₹ in lakhs)	Physical (in Nos.)	Financial (₹ in lakhs)
Three Wheelers	13,877	17,267.66	11,409	14,876.02
Spares	-	546.38	-	405.65
Petrol, Diesel, Lubricants etc.	-	1,552.35	-	1,490.11
Other Sales	-	68.91	-	8.60
TOTAL	-	<u>19,435.30</u>	-	<u>16,780.38</u>

3. FINANCIAL REVIEW :

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

Description	<u>2013-2014</u>	(₹ in Lakhs) <u>2014-2015</u>
a) Profit before Depreciation, Interest, Taxes, Prior Year Items & Other Income	301.82	692.29
b) Profit before Depreciation, Interest, Taxes & Other Income	181.83	707.34
c) PBDIT	1,554.66	1,340.17
d) Profit/(Loss) for the year	1,359.64	1,108.86

During the year under report :

- (1) The profit before depreciation, interest & taxes, prior year items & other income has increased by ₹ 390.47 lakhs.
- (2) The profit before depreciation, interest & taxes & other income has increased by ₹ 525.41 lakhs.
- (3) The profit before depreciation, interest & taxes has decreased by ₹ 214.49 lakhs.
- (4) The net profit for the year has decreased by ₹ 250.78 lakhs as compared to the previous year.

4. OPERATIONAL REVIEW

During the year 2014-15 the management adopted a dual strategy of initiating several new measures along with focusing on the various improvement measures undertaken in the previous year to improve the operational efficiency of the company as a result of which the company reported operational profits (PBDIT from operations) to the tune of INR 667.42 Lakhs during the year 2014-15 consecutively for the second financial year in succession. Some of the measures initiated by the management are as follows:-



- Focusing on value engineering through weight reduction of vehicle without any effect on the performance has resulted in savings which not only helped in improving the value of product but has also helped in controlling the material cost.
- Significant energy savings measures were undertaken during the year like installation of 06 nos. VCB's on 11KV line, replacing the street lights with LED lights, overhauling of 33/11 KV, 5000 KVA main transformer etc. .
- There has been substantial improvement in operational profit despite of additional financial impact of INR 99.70 Lakhs due to payment of Interim Relief (IR) from Jan. 2015 onwards to the employees.

Further due to change in computation of depreciation with the introduction of Companies act 2013 during the year there was additional impact of INR 73.93 Lacs.

5. DIVIDEND :

To conserve the resources the directors recommend no dividend during the year under report.

6. CONTRIBUTION TO NATIONAL EXCHEQUER

The company has contributed a sum of ₹ 3,458.47 lakhs (towards duties & taxes) to the exchequer during the period under review vis-a-vis ₹ 4,161.50 lakhs during previous financial year.

7. EXPORTS

The company has not made any exports during the period under review. Further the royalty income during the year by way of foreign exchange remittances also remained nil, in view of ongoing legal cases.

8. EXPENDITURE ON ADVERTISEMENT AND PUBLICITY :

An expenditure of ₹ 26.76 lakhs was incurred on account of advertisement and publicity during the year.

9. STATUS OF REPAYMENT OF LOAN FROM GOI

In terms of Cabinet approval the existing term plan & non-plan loan as of 31st March, 2012 of ₹ 85.21 Crores (Plan loan - ₹ 1.93 Crores & non-plan - ₹ 83.28 crores) of has been converted into equity share capital of ₹ 85.21 crores by issue of 8.52 crores equity shares of ₹ 10/- each at par and further the Equity share Capital of the Company has been reduced by 85.21 crores by cancellation of aforesaid ₹ 85.21 crores equity share capital held by Government of India in terms of BIFR Order dated 24.06.2013. The existing interest Accrued as on 31st March, 2012 amounting to ₹ 2,367 lacs on GOI loan (Plan loan of ₹ 193 lacs & Non-plan loan of ₹ 8,328 lacs) has been written off against accumulated losses and no further interest has been provided for on the aforesaid loan from 31st March, 2012 onwards. No provision of interest on Non-Plan loan of ₹ 189 lacs released during the financial year 2012-13 has been made. This matter has been taken up with Department of Heavy Industry/Board of Industrial & Financial Reconstruction for maintaining the status quo.

The Government of India, Ministry of Industries & Public Enterprises, Department of Heavy Industry released funds by way of interest free plan loan amounting to ₹ 2000 lacs during the financial year 2013-14 for working capital under approved revival package of Scooters India Limited by Cabinet/Misc. application approved by BIFR. As per sanction 23.7.2013 the Moratorium period for the loan is 3 years and Installment commence from 31.3.2015. The company has sought by way of Reliefs & concessions in the Draft Rehabilitation Scheme (DRS) under preparation of Operative Agency (SBI) for submission to BIFR for recovery of 5 installments commencing from 23.7.2016 onwards i.e. 3 years from date of sanctioning. The DRS is under



consideration of the operating Agency - SBI for submission of BIFR. Therefore repayment is likely to commence based on BIFR sanctioning of scheme w.e.f. 23.7.2016.

10. AUDITOR'S REPORT

M/s D.S. Shukla & Company, Chartered Accountants have been appointed by the Comptroller and Auditor General of India, as Statutory Auditors' of the Company for the year 2014-15. The Statutory Auditors' Report on the accounts of the Company for the financial year ended 31st March, 2015 are enclosed at **Annexure-2**.

The Accounts of the Company were submitted to the Comptroller and Auditor General of India for their report under section 143(5) of the Companies Act 2013 and their report is appended as **Annexure-3**.

11. COST AUDITOR

Although in terms of the provisions of the Companies Cost Audit Rules 2014, the Company is not mandated for Cost Audit, however as a good governance measure M/s Sunil Singh & Co., Cost Accountant, Lucknow has been appointed as Cost auditor of the Company by the Govt. of India, Ministry of Company Affairs, for auditing cost records relating to manufacture of Motor Vehicles for the financial year ending 31st March, 2016.

12. MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION OF THE COMPANY WHICH HAVE OCCURRED FROM 01.04.2015 TO DATE :

No material change and commitment have been made by the company from 01.04.2014 to date that has adverse effect on the financial position.

13. 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 | <input type="checkbox"/> To sustain production till finalization of revival plan.
<input type="checkbox"/> To achieve 2% decrease in cost.
<input type="checkbox"/> Induction of Manpower to fill the gap.
<input type="checkbox"/> 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 2014-15 as against 2013-14 is given below :

<u>Category</u>	<u>Production (In Nos.)</u>	
	<u>Apr.13 - Mar.14</u>	<u>Apr.14 - Mar.15</u>
Segment/Sub-segment		
Passenger Carrier	733,244	845,606
Goods Carrier	96,864	103,415
Total :	830,108	949,021



	Domestic Sales (In Nos.)	
Passenger Carrier	385,384	432,234
Goods Carrier	94,701	99,693
Total :	480,085	531,927

Note : Sales excluding Export of 353,392 Nos. in 2013-14 and 407,957 Nos. in 2014-15.

Source-SIAM

Scooters India Limited has been a pioneer in bringing out various models of 3-wheelers running on Diesel, Electric, LPG and CNG for applications 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 sales of 11380 nos. in 2014-15. By achieving these sales, SIL has utilized 79.13% of their capacity. This has also resulted in decreasing the SIL market share from 2.89% in 2013-14 to 2.14% in 2014-15.

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 99.87% in 2014-15 (SIL sales 2376 nos. out of 2379 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 on the availability of permits issued by Local RTOs.
- Increased demand from semi-urban and 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 number of youths especially with the Govt. focus on various schemes for the unemployed youth.
- 3-wheelers 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 economical transportation.
- 3-wheeler is a low cost transport solution to daily commuting passenger. Hence the market for 3-wheeler 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 youth. 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
- Untapped markets of South, West, East and Exports
- Developing hub and spoke transportation model.
- Increasing allocation of funds for poverty alleviation under various Govt. Schemes like PMRY, SC/ST, NREGS 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.
- Replacement market of 4W SCV, like Tata Ace.

E.2 Threats :

- Government regular focus and thrust on pushing 3W e-rickshaws.
- 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. 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. BIFR approved the miscellaneous application filed by the Company for seeking necessary permission/appropriate directions for reliefs & concessions enabling issue of shares, restructuring of balance sheet and for release of funds for capital expenditure and working capital in line with the cabinet decision for revival of SIL. The Draft Rehabilitation Scheme (DRS) is under preparation by Operating Agency (SBI) and shall be submitted in due course before BIFR for sanction.

14. 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 the Companies Act, 2013 regarding the conservation of energy, technology absorption and foreign exchange earnings and outflow are given in **Annexure-I, I-A and I-B** to this report.

15. PARTICULARS OF EMPLOYEES:

Information under Sec. 197(12) of the Companies Act, 2013 read with rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 be treated as NIL as none of the employee of the company is getting salary more than the prescribed limit.

16. INDUSTRIAL RELATIONS:

During period under review i.e. 01.04.2014 to 31.03.2015, the industrial relation in the company improved with adhoc release of wage revision (2007).

17. TRAINING AND 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, etc. employees were trained during 01/04/2014 to 31/03/2015 on Acupressure & Naturopathy, Leadership & Risk Management training program as per details given below :



Programme Details	Officers	Staffs	Workmen	Trainees	Total
Internal	3	18	12	29	62
External	3	–	–	12	15
Total	6	18	12	41	77

18. 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 the Management for system improvement Company also observed Vigilance Awareness Week from 27th October 2014 to 1st November, 2014.

19. 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, Finance for Non-finance Executives, International Commercial Practices, Energy Conservation, House Keeping etc.

20. 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.

21. RESERVATION FOR SCHEDULED CASTES & SCHEDULED TRIBE:

As on 31.03.2015 the total strength of the company is 594. Out of these, 130 employees belong to Scheduled Castes and 01 employee to Scheduled Tribe.

22. DIRECTORS, KMP APPOINTED AND RESIGNED

Mr. Dinesh Kumar retired w.e.f. 31.07.2014 on his retirement and Mr. Arvind Kumar has been appointed as Part time official Director in place of Mr. S.K. Singh w.e.f. 08.08.2014. Shri A.M. Manichan, Deputy Secretary (Finance), DHI was appointed as part time official Director in place of vice Shri Dinesh Kumar w.e.f. 23.09.2014. Shri A.K. Deori, Director, DHI was appointed in place of Shri Arvind Kumar as part time official Director with effect from 07.11.2014. Shri Pravin Agrawal, Director, DHI, has been appointed as a part time official Director w.e.f. 23.04.2015 in place of Mr. A.K. Deori.

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

The Company is not having Independent Director as well as women Director in terms of the provisions of the Companies Act, 2013 & Listing agreement. However the matter has been taken up with Ministry for filling up the vacant positions of Independent Director, women Director as well as Director (Finance) on the Board.