

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

## **2016-17**

**Anything that moves...  
...moves better with Scooters India Limited**




**Scooters India Limited**

**(A Government of India Enterprise)**

An ISO 9001 Company

Contents	Page No.
Board of Directors	3
Directors' Report	4
Auditors' Report	21
Comments of C & AG u/s 619(4) of the Companies Act. 1956	32
Corporate Governance Report	33
Balance Sheet	58
Profit & Loss Statement	59
Cash Flow Statement	60
Accounting Policies & Notes Annexed to and forming part of the accounts	62
Notice	97



**SCOOTERS INDIA LTD.**  
Serving the Common man Since 1972



## BOARD OF DIRECTORS

### Functional Directors

Shri Renati Sreenivasulu	Chairman & Managing Director	06.10.2016 till date
Ms. Vinita Srivastava	Chairman & Managing Director (Additional Charge)	23.02.2016 to 05.10.2016
Shri Pravin Agrawal	Chairman & Managing Director (Additional Charge for a period of 2.5 months while Ms. Vinita Srivastava was on UK tour for study)	14.04.2016 to 30.06.2016
Shri Rahul Bali	Director (Technical)	02.04.2013 to 01.02.2017

### GOI Nominee Directors:

Shri AM Manichan	GOI, Part Time Official Director	23.09.2014 to till date
Shri Pravin Agrawal	GOI, Part Time Official Director	23.04.2015 to till date

### STATUTORY AUDITOR

DS Shukla & Company,  
Chartered Accountants,  
GF-2, Ekta Apartment,  
125, Chandralok Colony,  
Lucknow (UP)

### REGISTERED OFFICE & WORKS

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

### REGISTRAR & TRANSFER AGENT

Skyline Financial Services  
Private Limited,  
D-153/A, 1<sup>st</sup> Floor,  
Okhla Industrial Area,  
Phase – I,  
New Delhi – 110020  
PH. 011- 26812682, 83 & 84  
Fax 011- 26812682

### INTERNAL AUDITORS

1. Vimal Dixit & Associates, Chartered Accountants,  
65/75, Chitwapur Road, Opp. Vikas Deep Building,  
Station Road, Lucknow-226001 (Uttar Pradesh)
2. Jayaswal & Associates, Chartered Accountants,  
A-160, II Floor, Vikas Marg, Shakarpur, Delhi – 92
3. B. Manjula, Chartered Accountants,  
305 A, Pavani Anusuya Towers,  
Opp. Huda Complex, Tarnaka,  
Secunderabad – 500017, Telangana
4. Meharia & Associates, Chartered Accountants,  
Room No. 35, 5th Floor, Martin Burn Building,  
1, RN Mukherjee Road, Kolkata – 700001
5. Vikas N Gunjal & Associates, Chartered Accountants,  
B/203, Anand Yatri CHSL, Vitthal Rukhmini Nagar,  
Diva-Dativali Road, Diva (East) Thane – 400612

### STOCK EXCHANGES

BSE Limited,  
1st Floor, Phiroze Jijibhoy Towers,  
Dalal Street, Mumbai - 400001

**DIRECTORS' REPORT**

Dear Shareholders,

The Board of Directors of your Company is pleased to present the **45<sup>th</sup> Annual Report** on the business and operations of the Company together with the audited Balance Sheet and statement of Profit and Loss Account and Auditors' Report thereon for financial year ended 31st March, 2017.

**1. PRODUCTION REVIEW:**

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

Description	2015-16	(Nos.) 2016-17
Three Wheelers	8176	<b>6540</b>

The reduced numbers of physical production may be seen in context of the ongoing capex installations during the year under reference.

**2. SALES REVIEW:**

The Sales performance for the year is shown below:

Description	2015-16		2016-17	
	Physical (In Nos.)	Financial (₹ in lakhs)	Physical (In Nos.)	Financial (₹ in lakhs)
Three Wheelers	9326	13513.41	<b>6349</b>	<b>10300.56</b>
Spares		270.81		<b>337.95</b>
Petrol, Diesel, Lubricants etc.		1419.93		<b>216.93</b>
Other Sales		6.42		-
<b>TOTAL</b>		15210.57		<b>10855.44</b>

**3. FINANCIAL REVIEW:**

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

Description	2015-16	(₹ in lakhs) 2016-17
a) Profit/Loss before Depreciation, Interest, Taxes, Prior Year Items & Other Income	<b>(52.06)</b>	<b>(1178.44)</b>
b) Profit/Loss before Depreciation, Interest, Taxes, & Other Income	<b>(52.06)</b>	<b>(1179.30)</b>
c) PBDIT	<b>901.60</b>	<b>(756.54)</b>
d) Profit/(Loss) for the Year	<b>548.38</b>	<b>(1027.67)</b>



During the year under report:

- (1) Loss before depreciation, interest, taxes, prior year items & other income increased by Rs. 1126.38 lakhs as compared to the previous year.
- (2) Loss before depreciation, interest, taxes, & other income increased by Rs. 1127.24 Lakhs as compared to the previous year.
- (3) Profit before depreciation, interest & taxes, decreased by Rs. 1658.14 lakhs as compared to the previous year.
- (4) Net profit for the year decreased by Rs. 1576.05 lakhs as compared to the previous year.

#### 4. OPERATIONAL REVIEW

During the year under report the operations of the company remained under stress due to constraints in marketing and disruption in supplies, leading to lower production, sales & profits. Further the Ministry of Road Transport and Highways vide notification no. GSR – 643(E) dated 19.08.2015 amended Rule 115 of Central Motor Vehicles Rules, 1989 to provide that the Mass Emission Standards for Bharat Stage IV shall come into force all over the country in respect of vehicles manufactured on or after the 1st April, 2017. Hon'ble Supreme Court of India in I.A.NO. 487/2017, I.A. NO. 491/2017, I.A. NO. 494/2017, I.A. NO. 489/2017, I.A. NO. 495/2017 in Writ Petition (Civil) No.13029/1985 in M C Mehta Vs. Union of India & Others vide order dated 29.03.2017 held that:

- a) On and from 1st April, 2017 such vehicles that are not BS-IV compliant shall not be sold in India by any manufacturer or dealer, that is to say that such vehicles whether two wheeler, three wheeler, four wheeler or commercial vehicles will not be sold in India by any manufacturer or dealer on and from 1st April, 2017.
- b) All the vehicle registering authorities under the Motor Vehicles Act, 1988 are initially prohibited for registering such vehicles on and from 1st April, 2017 that do not meet BS-IV emission standards, except on proof that such a vehicle has already been sold on or before 31st March, 2017.

Due to the above change the operations during the initial part of the current year 2017-18 were also under stress. The Company has got type approval of few models of BS-IV vehicles, however liquidity crunch further stressed the operations.

1MW Roof Top Solar Power Plant has been installed and shall commence operations soon, which will lead to substantial savings in energy cost.

#### 5. CONTRIBUTION TO NATIONAL EXCHEQUER

The company has contributed a sum of Rs. 2167.26 lakhs (towards duties & taxes) to the exchequer during the period under review vis-à-vis Rs. 3480.60 lakhs lakhs during previous financial year.

**6. 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.

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

An expenditure of Rs. 13.06 lakhs was incurred on account of advertisement and publicity in the year.

**8. STATUS OF REPAYMENT OF LOAN FROM GOI**

In terms of Cabinet approval the existing term plan & non-plan loan as of 31<sup>st</sup> March, 2012 of Rs 85.21 Crores (Plan loan – Rs 1.93 Crores & Non-plan - Rs. 83.28 crores) has been converted into equity share capital of Rs. 85.21 crores by issue of 8.52 crores equity shares of Rs. 10/- each at par and further the Equity share Capital of the Company has been reduced by 85.21 crores by cancellation of aforesaid Rs. 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 31<sup>st</sup> March, 2012 amounting to Rs. 2,367 Lacs on GOI loan (Plan loan of Rs. 193 lakhs & Non-plan loan of Rs. 8328 lacs) has been written off against accumulated losses and no further interest has been provided on the aforesaid loan from 31<sup>st</sup> March, 2012 onwards. No provision of interest on Non-Plan loan of Rs. 189 lakhs 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. After review an adjustment may be made ex-post facto. The Government of India, Ministry of Industries & Public Enterprises, Department of Heavy Industry released funds by way of interest free plan loan amounting to Rs. 2000.00 lakhs during the financial year 2013-14 for working capital under an 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 sought by way of Reliefs & Concessions in the Draft Rehabilitation Scheme (DRS) submitted to Operative Agency (SBI) for submission of BIFR for recovery of 5 installments commencing from 23.7.2016 onwards i.e. 3 years from date of sanctioning ie. beginning w.e.f. 23.7.2016.

**9. AUDITORS' 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 2016-17. The Statutory Auditors' Report on the accounts of the Company for the financial year ended 31<sup>st</sup> March, 2017 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**.

The Comptroller And Auditor General of India, has appointed M/s Dhawan & Madan, Chartered Accountants, as Statutory Auditors of the Company for the year 2017-18.



**10. MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION OF THE COMPANY WHICH HAVE OCCURRED FROM 01.04.2017 TO DATE:**

No material change and commitment have been made by the company from 01.04.2017 to date that has adverse effect on the financial position.

**11. MANAGEMENT DISCUSSION AND ANALYSIS:**

**(A) MISSION, VISION & OBJECTIVE**

**VISION** Scooters India's vision is to grow as a recognized automotive company, with market presence in public transport provision in Goods, Passenger & Special Purpose Carriers in India & abroad.

**MISSION** Our mission is to build on the reliability we possess in niche markets and evolve into an economic enabler with stronger after-market support for our customers who trust us when plying our vehicles in service.

**OBJECTIVE**

- To prosper into defined areas delineated by the revival plan in 2013
- To achieve 2 % decrease in cost, and rationalize input materials expense.
- Growing resources & JV partners to fill strategic gaps in skills and operations.
- To reduce energy input per unit of production with renewables.

**(B) MARKET SCENARIO**

(i). The total number of 3-Wheelers produced and sold in the domestic market by manufacture in India during the year 2016-17 as against 2015-16 is given below:

Category	Production (In Nos.)	
	April'15- March'16	April'16- March'17
Passenger Carrier	834253	670978
Goods Carrier	99851	112171
Total	<b>934104</b>	<b>783149</b>
	Domestic Sales (In Nos.)	
Passenger Carrier	440978	402034
Goods Carrier	97230	109624
Total	538208	511658

**Note:** Sales excluding Export of 404441 nos. in 2015-16 and 271894 nos. in 2016-17

**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 6348 nos. in 2016-17. By achieving these sales, SIL has utilized 74.61% of their capacity. This has also resulted in decreasing the SIL market share from 1.74 % in 2015-16 to 1.23 % in 2016-17.

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 100% in 2016-17 (SIL sales 1847 nos. out of 1847 nos.).

(ii). 3-Wheelers 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-Wheelers 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 RTO's.
- ❖ Increased demand from semi urban & rural areas for 3-Wheelers because of its high product maneuverability 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-Wheelers of smaller capacity are in great demand in load carrier segment because of increase in organizing 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-Wheeler are also better earning opportunity for unemployed youths. With a minimum expenditure i.e Rs. 45,000 – 50,000 (margin money), one can start earning Rs.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:**

**E1. Opportunities:**

- Growing automobile sector
- Untapped markets – of South, West, East & 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.

**E2. Threats :**

- Government regular focus and thrust on pushing 3W e- rickshaws
- Increase in product substitution effect by rapidly growing 4Wheel 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:**

**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-wheelers 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 and 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.

**(J) Strategic Road Map:**

Although there has been negative growth in three wheeler segment of Auto sector in India, the performance of your company has also not been well 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 18<sup>th</sup> 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 31<sup>st</sup> 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) was submitted by Co Operating Agency (SBI) for submission with BIFR. BIFR in its hearing dated 15.09.2015 directed that SIL ceases to be a sick industrial company, with in the meaning of Section 3(1)(o) of the SICA as its net worth has turned positive and It is, therefore, discharged from the purview of SICA/BIFR.

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

Your company is an ISO 9001: 2000 certified which focuses on quality management system. A statement giving details of conservation of energy, technology absorption, foreign exchange earnings and outgo in accordance with the Section 134 (3) (m) of the Companies Act, 2013 read with Rule 8 of The Companies (Accounts) Rules, 2014 is provided at **Annexure-1, 1-A and 1-B** to this report.