

31st ANNUAL REPORT 2002-2003



An ISO 9001 and ISO 14001 Company
Scooters India Limited
(A Government of India Enterprise)



SCOOTERS INDIA LIMITED

BOARD OF DIRECTORS

Shri P. K. Datta
Shri S.V. Bhawe
Shri N. K. Trivedi

Chairman-cum-Managing Director
Director
Director (Technical)

Company Secretary
Sri Manoj Agrawal

Internal Auditors
M/s Krishna Sharma & Co.,
Chartered Accountants,
Avanbhai Mansion,
3, Vidhan Sabha Marg,
Lucknow-226 001.

Statutory Auditors
M/s Mohan & Co.,
Chartered Accountants,
M-1/44, Sector-B,
Aliganj Colony,
Lucknow-226 024.

M/s Sanjay Rajiv & Company,
Chartered Accountants,
2nd Floor, YMCA Complex,
13, Rana Pratap Marg,
Lucknow-226 001.

Cost Auditors
Sri R.N. Tripathi,
C-121, Indira Nagar,
Faizabad Road,
Lucknow-226 016.

M/s Sundar & Chandar,
Chartered Accountants,
Quanta's "TRINITY"
Ground Floor, No.18/2A, West Road,
West C.I.T. Nagar, Chennai-600035.

Bankers
State Bank of India
Indian Overseas Bank

M/s Kapoor Banga & Co.,
Chartered Accountants,
2169, Main Road,
West Patel Nagar,
New Delhi-110002.

Delhi Sales & Liaison Office
64-65, Najaigarh Road,
Industrial Area,
New Delhi-110 015.

M/s Dharendra Tripathi & Co.,
Chartered Accountants,
C-121, Indira Nagar,
Lucknow-226016.

Registered Office & Works
Lucknow-Kanpur Road,
(16th Mile Stone),
Post Bag No. 23 (GPO),
(P.O.) Sarojini Nagar,
Lucknow-226 005.

A Guha Thakurta & Associates,
Chartered Accountants,
W2A(R)-3/2; Phase-IVA,
Golf Green,
Kolkata-700095.

Suhas S. Marathe & Co.,
Chartered Accountants,
H-01, Manek Nagar, Pardeshi Ali,
Panvel-410206, Raigad.



DIRECTORS' REPORT

Dear Members,
Scooters India Limited.

The Board of Directors of your Company is pleased to present the 31st 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, 2003.

1. FINANCIAL REVIEW :

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

| | <u>2001-2002</u> | (Rs. in Lakhs) <u>2002-2003</u> |
|-------------------------------|------------------|------------------------------------|
| a) Profit before Depreciation | 401.08 | 450.22 |
| b) Depreciation | 117.08 | 127.29 |
| c) Profit for the year | 284.00 | 322.93 |
| d) Prior period adjustments | (57.89) | (58.01) |
| Net Profit | 226.11 | 264.92 |

2. PRODUCTION REVIEW :

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

| | <u>2001-2002</u> | <u>2002-2003</u> |
|----------------|------------------|------------------|
| Three wheelers | 13,011 | 14,088 |

3. SALES REVIEW :

The Sales performance for the year is shown below :

| Description | <u>2001-2002</u> | | <u>2002-2003</u> | |
|---------------------------------|-----------------------|-----------------------------|-----------------------|-----------------------------|
| | Physical (in Nos.) | Financial (Rs. in lakhs) | Physical (in Nos.) | Financial (Rs. in lakhs) |
| Three Wheelers | 13,043 | 11,385.70 | 14,368 | 12,312.14 |
| Two Wheelers | 7 | 0.77 | Nil | Nil |
| Spares & Power Pack | - | 895.97 | - | 1,413.26 |
| Petrol, Diesel, Lubricants etc. | - | 500.27 | - | 674.94 |
| Other Sales | - | 67.95 | - | 93.01 |
| TOTAL | | <u>12,850.66</u> | | <u>14,493.35</u> |

4. MANAGEMENT DISCUSSION ANALYSIS:

Financial Review

Scooters India Limited, one of India's leading Public Sector Automobile Company, has reported satisfactory financial and operating performance during the period under review i.e. financial year 2002-03.


SCOOTERS INDIA LIMITED

Gross income of the company has increased by 9.49% from Rs. 136.72 crores in the previous year to Rs. 149.70 crores during 2002-03. Net Profit of the company has increased by 17.16% as compared to the previous year. The Company has shown all round improvement in its performance in 2002-03.

Resources and Liquidity:

The company has raised no fresh fund during the period under review. Company is repaying all its dues well in time and the liquidity position continues to be satisfactory.

Market Scenario:

The three-wheeler market segment in which the company is dealing continues to be extremely competitive. Major competitors being Bajaj Auto, Bajaj Tempo, Mahindra & Mahindra, Piaggio, KAL, Sitara, Sunku etc. Many Global giants are likely to join the fray.

ICRA has projected a CAGR of 9.62% till 2006 assuming a GDP growth of 5.5% for three wheeler industry, whereas SIAM has forecast a CAGR of 11.1% for next 5 years assuming GDP growth of 6.5%.

Your company is confident that it shall be able to meet the competition effectively and match the growth rate.

Your Company has consolidated itself in the north and central regions while the focus on west, east and southern market has been enhanced. Market penetration has improved through rationalization of Dealers.

Product:

Your company has endeavored to upgrade its products to meet the requirements of market. Your company has developed a ten seater electric trolley bus which is running successfully at energy park, New Delhi. Your company is in the process of developing new products and to improve upon its existing products through in-house R&D efforts coupled with collaborative technical support.

Quality:

Your company is in the process of installing a new paint shop in order to facilitate superior paint finished vehicle. Your company has also initiated to upgrade itself to an ISO 9001:2000 company from an ISO 9001 Company.

5. EXPENDITURE ON ADVERTISEMENT AND PUBLICITY :

An expenditure of Rs. 130.47 lakhs was incurred on account of advertisement and publicity during the year.

6. WAYS AND MEANS :

The ways and means position of the Company has been satisfactory.

7. MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION OF THE COMPANY WHICH HAVE OCCURRED FROM 1.4.2003 TO DATE :

No material change and commitments have been made by the company from 1-04-03 to date that has an adverse effect on the financial position of the company.

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

Your company has yet again achieved a milestone having acquired the ISO 9001:2000 accreditation. The company is already ISO 14001 certified which is applicable to Environment Management Systems to further its objective of eco-friendly development and production of its products.

Information in accordance with provisions 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.



9. PARTICULARS OF EMPLOYEES :

No employee of the company is getting salary more than the prescribed limits. Accordingly information under Sec. 217(2-A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 be treated as NIL.

10. ANCILLARIES AND SMALL SCALE UNITS :

SIL has purchased material worth Rs. 219.96 Lakhs from Small Scale Units during the financial year 2002-2003. The Company supports them technically and encourages them to compete in the market.

11. INDUSTRIAL RELATIONS :

During the year under review, the industrial relations in the Company remained, by and large, peaceful and cordial.

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.

13. WORKERS' PARTICIPATION IN MANAGEMENT :

Works Committee comprising of all sections of employees and 16 Nos. Shop Councils covering all areas/operations continued to meet every month to secure employees' participation in Management.

14. HUMAN RESOURCE DEVELOPMENT :

SIL considers employees its key resource and enables them to develop and hone their skills through exposure to latest managerial and technical developments by sponsoring them for external and in-house training. Special emphasis has been laid on creating awareness about Quality Management System, Environmental Management System, House Keeping through adoption of 5 'S' principles, development of multi skill capabilities and other motivational aspects.

15. HINDI IMPLEMENTATION :

Official Language Implementation Committee continues to meet every quarter to take stock of the progress of the implementation of the Annual Programme issued by the Department of Official Language, Ministry of Home Affairs, Govt. of India. The Company commemorated Hindi Divas by observing official language week in the month of September and organising antakshari and debate competition for various sections of employees.

16. RESERVATIONS FOR SCHEDULED CASTES & SCHEDULED TRIBES :

As on 31.3.2003, the total strength of the Company was 1844. Out of these, 308 employees belong to Scheduled Castes and 2 employees to Scheduled Tribes.

17. DIRECTORS :

Sri S.V. Bhawe, I.A.S. joined as Director on the Board of the company on 23rd January, 2003 in place of Shri Pradeep Kumar, I.A.S.

Shri K.S. Sawhney, Director, resigned from the Board of the company on 17th Feb, 2003.

18. 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 :

- (i) That in the preparation of the accounts for the financial year ended 31st March 2003, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) 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;



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- (iii) 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;
- (iv) That the Directors have prepared the accounts for the financial year ended 31st March 2003 on a 'going concern' basis.

19. ADEQUACY OF INTERNAL CONTROL :

SIL has proper and adequate system of internal controls to ensure that all activities are monitored and controlled against any unauthorised use of disposition of assets, and that the transactions are authorised, recorded and reported correctly.

SIL ensures adherence to all internal control policies and procedures as well as compliance with all regulatory guidelines.

20. FIXED DEPOSITS :

The Company has not accepted any deposits during the year.

21. AUDITORS :

M/s Mohan & Company have been appointed by the Comptroller and Auditor General of India, as Statutory Auditors of the Company for the year 2002-2003.

22. AUDITORS' REPORT :

In regard to paragraph 2(f) of Statutory Auditors' Report, attention is invited to the notes No.5 and 8 forming part of the accounts appearing in Schedule 19, which are self explanatory. Comments of the Comptroller and Auditor General of India are placed at Annexure - III. The review of accounts by the Comptroller and Auditor General of India is annexed at Annexure-IV.

23. COST AUDIT :

Sri R.N. Tripathi, Cost Accountant, Lucknow has been appointed as Cost Auditor of the Company vide letter No. 52/412/CAB-89(CLB) dated 21st February, 2002 from the Government of India, Ministry of Law, Justice & Company Affairs, Deptt. of Company Affairs, for auditing cost records relating to manufacture of Motor Vehicles for the financial year ending 31st March, 2003.

24. COMPLIANCE CERTIFICATE :

A certificate from the 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.

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, 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 to you, our Shareholders, the Directors are deeply grateful for the confidence and faith reposed on us.

For and on behalf of the Board

P. K. Datta

Chairman-cum-Managing Director

Place : Lucknow

Date : 29.8.2003

**ACCOUNTING POLICIES**

Annexed to and forming part of the Accounts

1. SYSTEM OF ACCOUNTING :**(i) Basic assumptions :**

The accounts have been prepared under historical cost convention on accrual basis and as per applicable Mandatory Accounting Standards.

(ii) Going concern :

Accounts have been prepared on the principle applicable to a going concern.

2. DEPRECIATION :

Depreciation on fixed assets is charged on straightline method in accordance with rates prescribed in Schedule XIV to the Companies Act, 1956 as amended vide Companies (Amendment) Act, 1988, except in case of special tools where depreciation is charged @ 20% as was being done prior to introduction of Schedule XIV.

3. INVENTORIES :

(i) Raw-materials, components and spare-parts, tools and consumables and other stocks are valued at cost. Scrap and disposable goods are valued at estimated realisable value.

(ii) Stock-in-trade is valued at lower of cost or realisable value and for this purpose STM prices have been treated as realisable value.

(iii) Customs duty on bonded material is allocated to the cost of goods and equipment.

(iv) Expenditure on stationery, uniform, medicine etc. are charged off to revenue at the time of receipt. But the stock remaining at the year end are credited to the revenue account at cost and shown as closing stock.

(v) Work-in-progress is valued at cost. Where the jobs are in progress their conversion cost is taken at 50% of the standard cost regardless of the stage of completion. Completed jobs pending inspection are valued at cost or realisable value whichever is less.

4. FIXED ASSETS :

(i) Land is valued at cost. The cost of the lease land is amortised over the lease span of 90 years.

(ii) Plant, Machinery, Equipment and Fixture costing individually Rs.5000 and below are depreciated fully in the year of purchase. The tools manufactured departmentally costing individually Rs.5000/- and below are charged off to revenue at the time of issue.



(iii) Borrowing cost incurred in relation to acquisition, construction of assets are capitalised as part of the cost of such assets upto the date where such assets are ready for intended use. Other borrowing costs are charged as expenses in Profit & Loss Account in the year in which they are incurred.

(iv) Depreciation is also provided on assets which have been declared surplus and are not in use.

5. INVESTMENTS :

Investments are valued at cost. However, in case of permanent diminution in the value of investments, suitable provision is made in the books of accounts.

6. PROVISION FOR REDUNDANCY/OBSCOLESCENCE :

Provision for redundancy is made at 0.5% of the value of closing inventory of raw materials and components, stores and spare-parts, excluding finished goods, gasoline in petrol pump, medicines, materials in bond and under inspection and scraps. Wherever necessary, additional provision for redundancy/obsolescence of materials is made in individual cases keeping in view their realisable value.

7. SALES :

Sales are set up as per the Sale of Goods Act. They represent value of goods sold at the ex-factory price plus incidentals like freight, insurance etc. embedded in the sale price. The value of sales is inclusive of Excise Duty.

8. ACCOUNTING FOR INCOME AND EXPENDITURE :

Income and expenditure are accounted for in the current year on accrual basis under natural heads of account. However, expenditure upto Rs.100/- each eventhough pertaining to the prior periods is accounted for in the current year.

9. RETIREMENT BENEFITS :

Contribution to Provident Fund, Gratuity Fund and Leave Encashment Fund are made to the recognised funds and charged to the Profit and Loss Account. Gratuity and Leave Encashment liability is ascertained by Life Insurance Corporation of India on actuarial valuation.

The compensation payable under Voluntary Retirement Scheme other than through National Renewal Fund from Government of India is amortised equally over a period of five financial years.

10. DEFERRED CREDIT :

In case of purchase of fixed assets on deferred credit, the purchase price of fixed assets and interest on outstanding amount accruing upto the date of erection and commissioning are capitalised.

**11. RESEARCH AND DEVELOPMENT :**

Research and Development expenditure is charged off to the Profit and Loss Account in the year of occurrence. However, Research and development expenditure which results in the development of a project, the benefits whereof are to be reaped in future years, is treated as deferred revenue expenditure and amortised over a period of 10 years. Expenditure which result in creation of capital assets is taken to fixed assets and depreciation provided for as applicable.

12. JOBS DONE FOR INTERNAL USE :

Jobs done for internal use are valued on the basis of technical estimates of materials and conversion cost.

13. CLAIMS RAISED BY GOVERNMENT AUTHORITIES :

Claims raised by Government Authorities regarding taxes and duties to the extent disputed by the Company are accounted for based on merits of each claim. Adjustments, if any, are made in the year in which the disputes are settled or decided. Such disputed liabilities are, however, disclosed in notes annexed to and forming part of the accounts.

14. ACCOUNTING OF GOVERNMENT GRANT :

- (i) Government Grant of revenue nature are accounted for in the Profit and Loss Account under the head "other income" in the year of receipt and the expenditure is charged to revenue as and when incurred.
- (ii) In case of any specific Government grant the treatment in the books of accounts is made on the basis of specific stipulation for the same.

As per our separate report of even date
For Mohan & Company
Chartered Accountants

S.K.Mohan
Partner

Manoj Agrawal
Company Secretary

C.S. Sundara Murthy
G.M. (Finance)

N. K. Trivedi
Director (Technical)

P.K. Datta
Chairman-cum-
Managing Director

Place : Lucknow

Date: 24th July, 2003



SCOOTERS INDIA LIMITED

BALANCE SHEET AS AT MARCH 31, 2003

| | SCHEDULE | AS AT 31-3-2003 Rs. | AS AT 31-3-2002 Rs. |
|--|----------|---------------------------|---------------------------|
| 1. SOURCES OF FUNDS | | | |
| i) Shareholders' Funds | | | |
| a) Capital | 1 | 429,938,188 | 429,938,188 |
| b) Reserves & Surplus | 2 | 1,892,886,540 | 74,526,699 |
| | | <u>2,322,824,728</u> | <u>504,464,887</u> |
| ii) Loan Funds | | | |
| a) Secured Loans | 3 | 227,975,629 | 248,604,630 |
| b) Unsecured Loans | 4 | 62,182,870 | 75,325,720 |
| | | <u>290,159,499</u> | <u>323,930,350</u> |
| | | <u>2,612,984,227</u> | <u>828,395,237</u> |
| 2. APPLICATION OF FUNDS | | | |
| i) Fixed Assets | | | |
| a) Gross Block | 5 | 405,553,693 | 391,206,749 |
| b) Less: Depreciation | | <u>301,932,817</u> | <u>289,302,573</u> |
| c) Net Block | | 103,620,876 | 101,904,176 |
| d) Capital work-in-progress | 6 | 2,825,808 | 2,767,270 |
| | | <u>106,446,684</u> | <u>104,671,446</u> |
| ii) Investments | 7 | 336,054 | 336,054 |
| iii) Current Assets, Loans & Advances | 8 | | |
| a) Inventories | | 303,880,588 | 361,523,688 |
| b) Sundry Debtors | | 94,196,020 | 120,591,891 |
| c) Cash and Bank balances | | 536,681,573 | 473,428,092 |
| d) Other current assets | | 73,815,616 | 34,301,367 |
| e) Loans and Advances | | 29,882,367 | 30,425,474 |
| | | <u>1,038,456,164</u> | <u>1,020,270,512</u> |
| Less : | | | |
| Current Liabilities and Provisions | 9 | | |
| a) Liabilities | | 325,543,691 | 298,434,832 |
| b) Provisions | | 77,771 | 94,571 |
| | | <u>325,621,462</u> | <u>298,529,403</u> |
| Net Current Assets / (-) Liabilities | | 712,834,702 | 721,741,109 |
| Miscellaneous expenditure to the extent not written off or adjusted | 10 | 1,498,779 | 1,646,628 |
| Deferred Tax Asset | | 1,791,868,008 | - |
| | | <u>2,612,984,227</u> | <u>828,395,237</u> |
| Accounting Notes and Contingent Liabilities | 19 | | |
| Schedule 1 to 10 and 19, alongwith accounting policies are integral part of the Balance-sheet. | | | |

As per our separate report of even date
For Mohan & Company
Chartered Accountants

S.K.Mohan
Partner

Manoj Agrawal
Company Secretary

C.S. Sundara Murthy
G.M. (Finance)

N. K. Trivedi
Director (Technical)

P.K. Datta
Chairman-cum-
Managing Director

Place : Lucknow
Date: 24th July, 2003