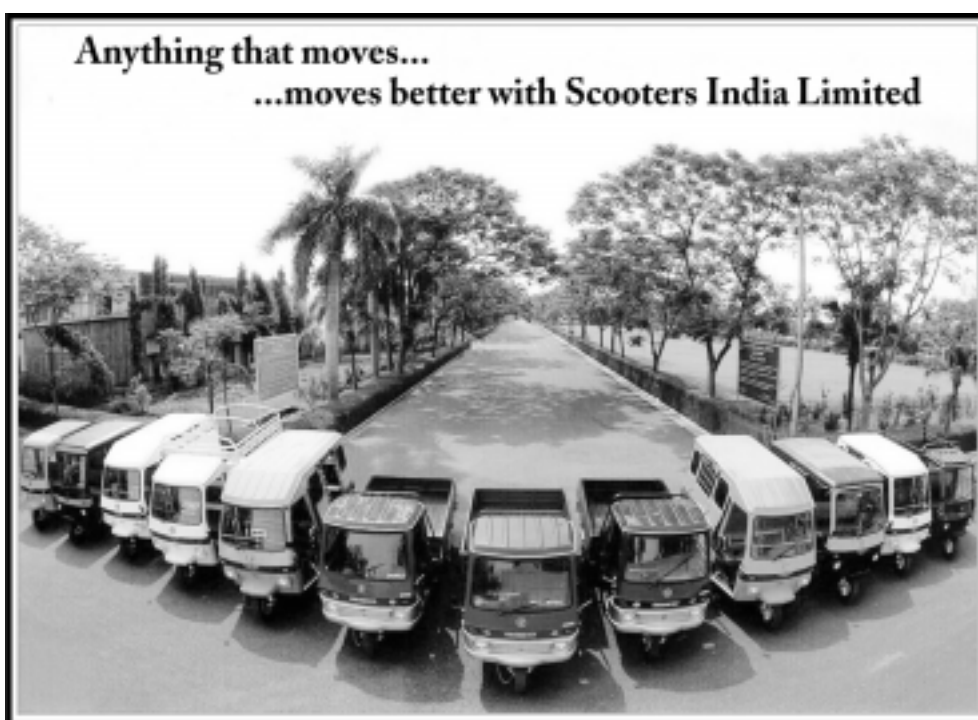


# **42<sup>nd</sup> ANNUAL REPORT 2013-14**



**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
Shri Ajai Kumar	- Chairman-cum-Managing Director	w.e.f. 23.04.2008 to 13.04.2013
Shri Rahul Bali	- Director (Technical)	w.e.f. 02.04.2013

### GOI, Nominee Directors

Shri Harbhajan Singh, IAS	- GOI, Part time official Director	w.e.f. 13.09.2011 to 20.12.2013
Shri S.K. Goyal	- GOI, Part time Non official Director	w.e.f. 17.05.2012 to 25.03.2014
Shri Dinesh Kumar	- GOI, Part time Non official Director	w.e.f. 25.03.2014 to 31.07.2014
Shri S.K. Singh	- GOI, Part time Non official Director	w.e.f. 20.12.2013 to 08.08.2014
Shri Arvind Kumar	- GOI, Part time Non official Director	w.e.f. 08.08.2014 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,  
(16<sup>th</sup> Mile Stone),  
Post Bag No. 23 (GPO),  
(P.O.) Sarojini Nagar,  
Lucknow-226008.

### Registrar & Transfer Agent

Skyline Financial Services Pvt. Ltd.,  
D-153/A, 1<sup>st</sup> 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.

G.N. Sinha & Co.  
Chartered Accountants  
25, Central Road, P.O. Shyamnagar North  
24 Parganas, Pin - 743127

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

C.J. Kulkarni & Co.  
Chartered Accountants  
'Jal-Deep', 810 Sadashiv Peth, Bar, Gadgil Street,  
Pune-411030

Ajay Agarwal & Co.  
Chartered Accountants  
1/42, Lalita Park, Laxmi Nagar, Delhi-110092

### STOCK EXCHANGES

The Delhi Stock Exchange	Bombay Stock Exchange Ltd.,
Association Ltd.,	1 <sup>st</sup> 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 **42<sup>nd</sup> 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 31<sup>st</sup> March, 2014.

**1. PRODUCTION REVIEW :**

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

Description	2012-2013	(Nos.) 2013-2014
Three wheelers	15,807	14,584

**2. SALES REVIEW :**

The Sales performance for the year is shown below :

Description	2012-2013		2013-2014	
	Physical (in Nos.)	Financial (₹ in lakhs)	Physical (in Nos.)	Financial (₹ in lakhs)
Three Wheelers	15,837	19,020.74	13,877	17,267.66
Spares	-	546.27	-	546.38
Petrol, Diesel, Lubricants etc.	-	1,415.25	-	1,552.35
Other Sales	-	1.44	-	68.91
<b>TOTAL</b>	-	<b>20,983.70</b>	-	<b>19,435.30</b>

**3. FINANCIAL REVIEW :**

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

Description	2012-2013	(₹ in Lakhs) 2013-2014
a) PBDIT	(286.32)	1,554.66
b) Profit before Interest, Depreciation & Exceptional items	(286.32)	1,554.66
c) Profit before Exceptional item	(600.06)	1,359.64
d) Profit/(Loss) for the year	(600.06)	1,359.64

During the year under report :

- (1) The profit before depreciation, interest & taxes has increased by ₹ 1,840.98 lakhs.
- (2) The net profit has increased by ₹ 1,959.70 lakhs as compared to the corresponding previous year.

**4. OPERATIONAL REVIEW**

During the year under review the management undertook several measures to turn around the Company as a result of which after several years of losses, the Company has reported operational profits (PBDIT from operations) of INR 265.39 Lakhs during the year 2013-14. Some of the initiatives undertaken by the management, that helped the Company's turnaround are highlighted below :

- Selection of optimal product mix to enhance value and to suit the market dynamics. The value of the product has improved by 4% (approx).
- Better inventory management & control leading to reduction in material cost by 4% (approx).
- Power savings, reduction in power consumption, control on rejections etc. leading to reduction in the unit energy consumption by approx 3%.

The Company has also reduced its future obligation considerably by initiating several measures like offering leave encashment benefit etc. to employees during the year.

**5. CONTRIBUTION TO NATIONAL EXCHEQUER**

The company has contributed a sum of ₹ 4,161.50 lakhs (towards duties & taxes) to the exchequer during the period under review vis-a-vis ₹ 4,852.12 lakhs during previous financial year.

**6. EXPORTS**

The company has achieved exports of ₹ 37.95 lakhs during the period under review. The royalty income by way of foreign exchange remittances is NIL during the year.



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

An expenditure of ₹ 20.98 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 01.04.2014 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. However it is pertinent to note that GOI has vide letter no. F. No. 3-33/2009 – PE VI dated 22.02.2013 conveyed that Cabinet has approved the revival package of ₹ 201.96 crores, which inter-alia includes the infusion of fresh funds, conversion of plan & non plan loan in to equity & waiver of interest and directed for taking necessary approval from BIFR. Since the Draft Rehabilitation Scheme (DRS) was under preparation by Operating Agency (SBI) and sanction by BIFR was likely to take some time, pending finalization of DRS & sanction by BIFR, SIL filed the Miscellaneous application for seeking necessary permission/appropriate directions for reliefs & concessions enabling conversion of loan in to equity/issue of shares/reduction of shares capital etc. without further approval of shareholders/Central Government/SEBI/Stock exchanges in terms of provisions of section 81(1A) of the Companies Act, 1956, listing agreement, Securities And Exchange Board Of India (Issue of Capital And Disclosure Requirements) Regulations, 2009 and Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulation, 2011, 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. BIFR in its hearing dated June 19, 2013, allowed the Miscellaneous application of SIL and vide order dated 24.06.2013 issued necessary directions accepting the prayers of SIL. Accordingly SIL has given effect to BIFR order envisaging inter-alia restructuring in share capital & write off of interest on plan & non plan loan against accumulated losses etc. in the annual accounts for the year ended at 31<sup>st</sup> March, 2013. The Draft Rehabilitation Scheme (DRS) is under preparation by Operating Agency (SBI) and shall be submitted in due course before BIFR for sanction. The Board of Directors of the Company have also recommended the implementation of pay scales (2007) for officers and has submitted proposal to DHI for Presidential directives. The negotiations for wage revision for workmen are also in process.

#### 9. MANAGEMENT DISCUSSION AND ANALYSIS:

##### (A) Mission, Vision & Objective

<b>Vision</b>	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.
<b>Mission</b>	To fulfill customers' needs for economic and safe mode of road transport and quality engineering products through contemporary technologies.
<b>Objective</b>	<ul style="list-style-type: none"> <li>□ To sustain production till finalization of revival plan.</li> <li>□ To achieve 2% decrease in cost.</li> <li>□ Induction of Manpower to fill the gap.</li> <li>□ To reduce energy input per unit of production.</li> </ul>

##### (B) MARKET SCENARIO

- (i) The total number of 3-wheelers produced and sold in the domestic market by manufacturers in India during the year 2013-14 as against 2012-13 is given below :



<u>Category</u>	<u>Production (In Nos.)</u>	
<u>Segment/Sub-segment</u>	<u>Apr.12 - Mar.13</u>	<u>Apr.13 - Mar.14</u>
Passenger Carrier	740,689	733,248
Goods Carrier	99,053	96,872
<b>Total :</b>	<b>839,742</b>	<b>830,120</b>
	<u>Domestic Sales (In Nos.)</u>	
Passenger Carrier	441,118	384,923
Goods Carrier	97,173	94,711
<b>Total :</b>	<b>538,291</b>	<b>479,634</b>

Note : Sales excluding Export of 303,088 Nos. in 2012-13 and 353,392 Nos. in 2013-14.

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 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 sales of 13877 nos. in 2013-14. By achieving these sales, SIL has utilized 84% of their capacity. This has also resulted in decreasing the SIL market share from 3.43% in 2012-13 to 2.94% in 2013-14.

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 78.95% in 2013-14 (SIL sales 5,403 nos. out of 6843 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.

**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.

**(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 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) is under preparation by Operating Agency (SBI) and shall be submitted in due course before BIFR for sanction.

**8. 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, I-A and I-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 under period under review i.e. 01.04.2013 to 31.03.2014, the industrial relation in the company improved with the implementation of long pending negotiated wages (2002) for workmen. However, workmen have been demanding for implementation of wage revision (2007). The negotiations for the same are in process.

#### 12. 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 01/04/2013 to 31/03/2014 on Acupressure & Naturopathy, Leadership & Risk Management training program as per details given below :

Programme Details	Officers	Staffs	Workmen	Trainees	Total
Internal	137	09	03	-	149
External	-	-	--	-	
<b>Total</b>	<b>137</b>	<b>09</b>	<b>03</b>	<b>-</b>	<b>149</b>

#### 13. VIGILANCE:

Vigilance Group continues to function with particular emphasis on maintaining strict vigil over various activities of the Company. The Company also observed Vigilance Awareness Week from October 28, 2013 to November 02, 2013.

#### 14. 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 Rules 2011 & Cost Audit Report Rules 2011, Finance for Non-finance Executives, International Commercial Practices, Energy Conservation, House Keeping etc.

#### 15. 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.

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

As on 31.03.2014 the total strength of the company is 620. Out of these, 142 employees belong to Scheduled Castes and 01 employee to Scheduled Tribe.

**17. DIRECTORS:**

The tenure of Shri Ajai Kumar as Chairman cum Managing Director of the Company came to an end w.e.f. 13.04.2013. Shri R K Singh, Jt. Secretary, Department of Heavy Industries, Ministry of Heavy Industries & Public Enterprises, Government of India has been given Additional charge as Chairman & Managing Director w.e.f. 15.05.2013. Shri Rahul Bali has been appointed as Director (Technical) w.e.f. 02.04.2013. Shri S K Singh has been appointment as Part time official director vice Shri Harbhajan Singh w.e.f. 20.12.2013 & Shri Dinesh Kumar has been appointed as part time official director vice Shri S K Goyal w.e.f. 25.03.2014. 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. The Company has taken up the matter with Ministry for filling up the vacant positions of Independent Directors as well as Director (Finance) on the Board.

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

**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:

- a) That in the preparation of the accounts for the financial year ended 31<sup>st</sup> March 2014, 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 31<sup>st</sup> March 2014 on a 'going concern' basis.