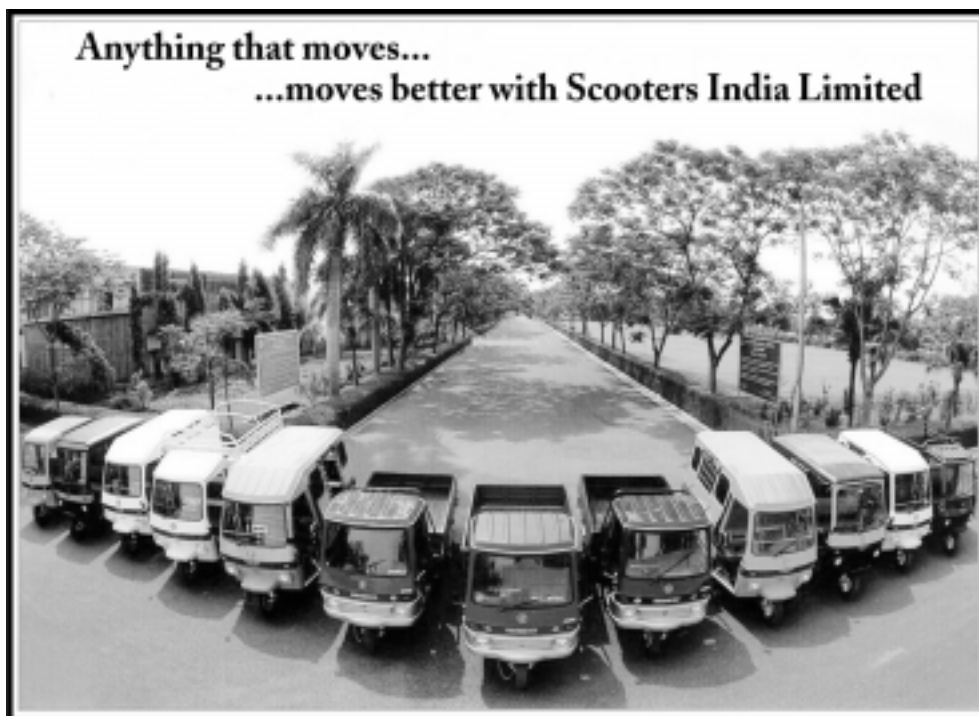


44th ANNUAL REPORT

2015-16



Scooters India Limited

(A Government of India Enterprise)

An ISO 9001 Company



Contents	Page No.
Board of Directors	3
Directors' Report	4
Auditors' Report	19
Comments of C & AG u/s 619(4) of the Companies Act. 1956	30
Corporate Governance Report	31
Balance Sheet	54
Profit & Loss Statement	55
Cash Flow Statement	56
Accounting Policies & Notes Annexed to and forming part of the accounts	58
Notice	90



SCOOTERS INDIA LTD.

Serving the Common man Since 1972



BOARD OF DIRECTORS

Functional Directors

Ms. Vinita Srivastava	- Chairman & Managing Director (Additional Charge)	w.e.f. 23.02.2016 till date
Shri R.K. Singh, IAS	- Chairman & Managing Director (Additional Charge)	w.e.f. 15.05.2013 to 23.02.2016
Shri Rahul Bali	- Director (Technical)	w.e.f. 02.04.2013 till date

GOI, Nominee Directors

Shri A.M. Manichan	- GOI, Part time Non official Director w.e.f. 23.09.2014 to till date
Shri Pravin Agrawal	- GOI, Part time Non official Director w.e.f. 23.04.2015 to till date

Statutory Auditor

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

Cost Auditors

Sunil Singh & Company
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,**
65/75, Chitwapur Road, Opp. Vikas Deep Building,
Station Road, Lucknow -226001
- Nemani Associates,**
Chartered Accountants
Flat No. 108, SR Complex, Habsiguda,
Hyderabad-500007
- Jayaswal Associates,**
Chartered Accountants
A-160, II Floor, VikasMarg, Shakarpur,
Delhi-110092
- G.N. Sinha & Company**
Chartered Accountants
25, Central Road, Shyam Nagar 24 Pgs(n),
West Bengal-743127
- Vikas N Gunjal & Associates**
Chartered Accountants
B/203, Anand Yatri CHSL, Vitthal Rukhmini Nagar,
Diva-Dativali Road, Diva (E), Thane-400612

Stock Exchanges

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

**DIRECTORS' REPORT**

Dear Shareholders,

The Board of Directors of your Company is pleased to present the **44th 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, 2016.

1. PRODUCTION REVIEW :

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

Description	<u>2014-2015</u>	<u>2015-2016</u>
		(Nos.)
Three wheelers	13,057	8,176

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	<u>2014-2015</u>		<u>2015-2016</u>	
	Physical (in Nos.)	Financial (₹ in lakhs)	Physical (in Nos.)	Financial (₹ in lakhs)
Three Wheelers	11,409	14,876.02	9,326	13,513.41
Spares	-	405.65	-	270.81
Petrol, Diesel, Lubricants etc.	-	1,490.11	-	1,419.93
Other Sales	-	8.60	-	6.42
TOTAL	-	<u>16,780.38</u>	-	<u>15,210.57</u>

3. FINANCIAL REVIEW :

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

Description	<u>2014-2015</u>	<u>2015-2016</u>
		(₹ in Lakhs)
a) Profit before Depreciation, Interest, Taxes, Prior Year Items & Other Income	692.29	(52.06)
b) Profit before Depreciation, Interest, Taxes & Other Income	707.34	(52.06)
c) PBDIT	1,340.17	901.60
d) Profit/(Loss) for the year	1,108.86	548.38

During the year under report :

- (1) Profit before depreciation, interest & taxes, prior year items & other income decreased by ₹ 744.35 lakhs as compared to the previous year.
- (2) Profit before depreciation, interest & taxes & other income decreased by ₹ 759.40 lakhs as compared to the previous year.
- (3) Profit before depreciation, interest & taxes decreased by ₹ 438.57 lakhs as compared to the previous year.
- (4) Net profit for the year has decreased by ₹ 560.48 lakhs as compared to the previous year.

4. OPERATIONAL REVIEW

The company made net profit of ₹ 548.38 lakhs during the period under review as compared to net profit of ₹ 1108.86 lakhs in financial year 2014-15.

During the year, capex installations have been commissioned that led to a few disruptions in production. Also a purchase order for installation of Solar Power Plant on Roof Top connected to grid for 1MW capacity has been placed. On commissioning it is expected to bring about saving in energy cost.

**5. DIVIDEND :**

To conserve the resources the directors recommend no dividend during the year under report. No amount is proposed to be transferred to reserves.

6. CONTRIBUTION TO NATIONAL EXCHEQUER

The company has contributed a sum of ₹ 3,480.60 lakhs (towards duties & taxes) to the exchequer during the period under review vis-a-vis ₹ 3,458.47 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 ₹ 18.31 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) 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 lakhs & Non-plan loan of ₹ 8328 lacs) has been written off against accumulated losses and no further interest has been provided on the aforesaid loan from 31st March, 2012 onwards. No provision of interest on Non-Plan loan of ₹ 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 ₹ 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.

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 2016-17. 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. MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION OF THE COMPANY WHICH HAVE OCCURRED FROM 01.04.2016 TO DATE :**

No material change and commitment have been made by the company from 01.04.2016 to date that has adverse effect on the financial position.

12. 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 manufacturers in India during the year 2015-16 as against 2014-15 is given below :

<u>Category</u>	<u>Production (In Nos.)</u>	
	<u>Apr.14 - Mar.15</u>	<u>Apr.15 - Mar.16</u>
Segment/Sub-segment		
Passenger Carrier	845,606	834,134
Goods Carrier	103,415	99,816
Total :	949,021	933,950
Domestic Sales (In Nos.)		
Passenger Carrier	432,234	441,091
Goods Carrier	99,693	97,001
Total :	531,927	538,092

Note : Sales excluding Export of 407,600 Nos. in 2014-15 and 404,441 Nos. in 2015-16.

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. The company has played an important role in popularization of 3-Wheelers of larger capacity in the country. SIL has achieved sales of 9326 nos. in 2015-16 and utilized 74.61 % of installed capacity with its market share going from 2.14 % in 2014-15 to 1.72% in 2015-16. 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. It is a market leader in this segment with sales of 2595 nos.



(ii) 3- Wheelers market characteristics in India & abroad

Last-mile urban & rural transport in burgeoning Southeast Asia, China and Africa has been defined by the sharp-nosed tight-turning radius 3-wheelers, fondly ensconced in public memory as a Bajay or Bajaj (in Jakarta, Indonesia), three-wheeler or tuktuk (in Sri Lanka), samosa, tempo, tuk-tuk (in Thailand), trishaw, autorick, bajaji (in Madagascar and Tanzania), keke Napep or Maruwa (in Nigeria), rick, tricycle (in the Philippines), mototaxi, baby taxi, lapa or tukxi (Piaggio Ape Calessino) in popular parlance. The Vikram, and the Lambro are Indian progeny of this fond legacy and hold their niche in the market with pride & value-for-money. Getting the product mix and reliability right can be a game changer for SIL to compete in Global & Indian markets. SIL's recent capex installations, and its soon to be implemented leftover parts of the revival plans, will lead the way to realizing its mission & vision in a strong and emphatic way.

(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.

(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) 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.sanction.

13. 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 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-I, I-A and I-B** to this report.

14. 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.

15. INDUSTRIAL RELATIONS:

During period under review i.e. 01.04.2015 to 31.03.2016, 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 the 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 01/04/2015 to 31/03/2016 on (Five fighting, Energy Efficiency and Kaizen & 5 S) training program as per details given below :

Programme Details	Officers	Staffs	Workmen	Trainees	Total
Internal	-	12	28	119	159
External	03	-	-	-	03
Total	03	12	28	119	162

17. VIGILANCE:

Vigilance Department 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 26th October 2015 to 31st October, 2015.

18. 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.

19. 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.

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

As on 31.03.2016 the total strength of the company is 398. Out of these, 100 employees belong to Scheduled Castes and 01 employee to Scheduled Tribe.

21. DIRECTORS, KMY MANAGERIAL PERSONNEL, APPOINTED AND RESIGNED

Smt. Vinita Srivastava, Director, DHI has been nominated as CMD w.e.f. 23.02.2016 in place of Shri R.K. Singh, Joint Secretary, DHI, Shri Pravin Agawal, Director, DHI, has been appointed as a part time official Director in place of Mr. A.K. Deori w.e.f. 23.04.2015.

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.

The Company has nominated Shri Rahul Bali, Director (Technical) & Shri B.N. Raj, Chief Financial Officer as Key Managerial Personnel.

Mr. Manish Sahu, CVO, Bharat Pumps & Compressors Limited (BPCL), Allahabad has been nominated as CVO of SIL w.e.f. 10.04.2015. Government of India, Ministry of Heavy Industries & Public Enterprises, Department of Heavy Industry vide its letter No. 20-9/1998-PE-VI dated 02.03.2016 has conveyed the appointment of Shri Ram Krishna Swarnkar, IPS (UP-96), as Chief Vigilance officer for an initial deputation tenure of 3 years, which is extendable for further period of 2 years in the same organization or three years on transfer to another organization after completion of initial 3 years with prior approval of CVC & DOPT. He has joined the Company w.e.f. July 05, 2016

22. INDEPENDENT DIRECTOR'S DECLARATION :

Directors on the Board of the Company are appointed by the Administrative Ministry. SIL has been requesting the Ministry to appoint the independent directors. The appointment of Independent directors is yet to be made by the Ministry. During the year there was no independent director on the board of the Company. Thus, the declaration pertaining to independent director does not apply.

23. DISCLOSURE ON REAPPOINTMENT OF INDEPENDENT DIRECTORS :

During the year there was no independent director on the Board of the Company. Hence, disclosure pertaining to reappointment of independent directors does not apply.

24. NUMBER OF MEETINGS OF THE BOARD

The Board met four times during the financial year, the details of which are given in the Corporate Governance Report that forms part of this Annual Report. The intervening gap between any two meetings was within the period prescribed by the Companies Act, 2013 and the Listing Agreement.

25. COMPANY'S POLICY ON DIRECTORS' APPOINTMENT & REMUNERATION INCLUDING CRITERIA FOR DETERMINING QUALIFICATIONS, ATTRIBUTES, INDEPENDENCE ETC. :

The Board of Directors of the Company are appointed by the Government of India as per guidelines issued by the Department of Public Enterprises (DPE), Government of India from time to time. The remuneration of Managing Director is fixed as per grade and other terms and conditions issued by the DPE. The Government Directors on the Board of the Company draw their remuneration from Government of India and not from the Company. The independent directors, if any, are paid