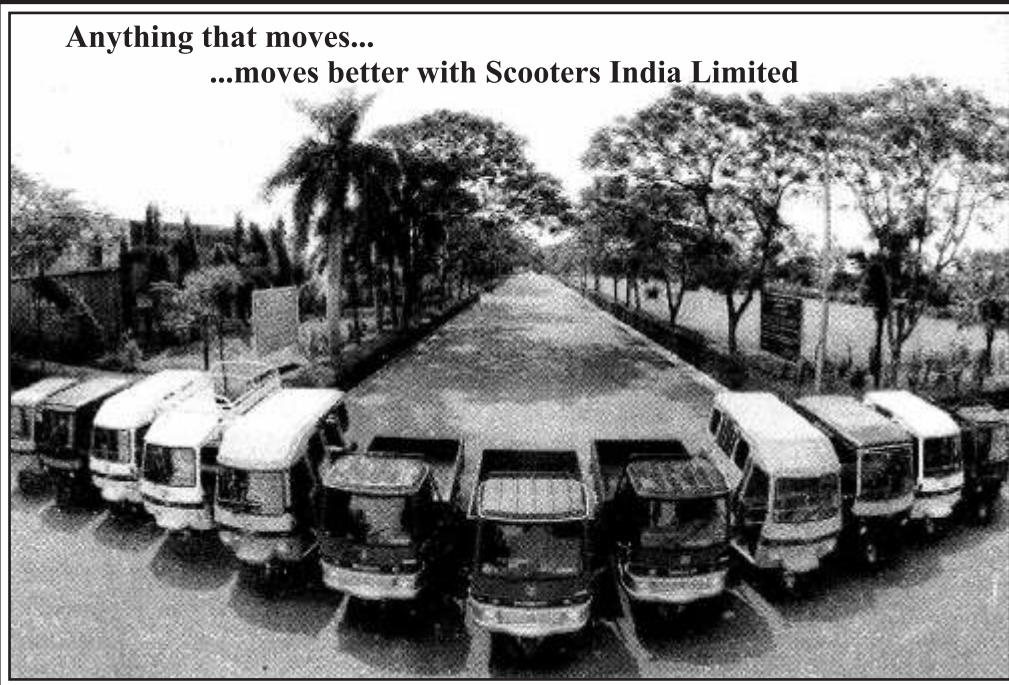


46th ANNUAL REPORT

2017-18

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



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 Renati Sreenivasulu	Chairman & Managing Director	06.10.2016 to till date
Shri S. Sakthimani	Director Finance (Additional Charge)	30.05.2018 to till date

Government Nominee Director

Shri A.M Manichan	GOI, Part time Official Director	23.09.2014 to 15.01.2018
Shri Pravin Agrawal	GOI, Part time Official Director	23.04.2015 to 15.01.2018
Shri S.K Singh	GOI, Part time Official Director	15.01.2018 to till date.
Smt. Parveen Gupta	GOI, Part time Official Director	15.01.2018 to till date.

STATUTORY AUDITOR

Dhawan & Madan
Chartered Accountants
First Floor, Himanshu Sadan
5, Park Road,
Lucknow - 226001

SECRETARIAL AUDITOR

Amit Gupta & Associates
Office N.- B-12, Basement,
Murli Bhawan, 10-a, Ashok Marg,
Ashok Marg, Lucknow - 226001,
Uttar Pradesh, India

REGISTERED OFFICE & WORKS

Lucknow - Kanpur Road
(16th Mile Stone)
Post Bag No.23 (GPO)
(Po) Sarojini Nagar
Lucknow-226008

REGISTRAR & TRANSFER AGENT

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

INTERNAL AUDITORS

Vimal Dikshit & Associates,
Charatered Accountants,
65/75, Chitwapur Road, Opp. Vikas Deep Building,
Station Road, Lucknow

Ranajit Kumar Sinha
Flat No.b-18/3 Abhudoy Housing
Ektp-Phase-VI
East Kolkata Township
Kolkata-700107

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 46th 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, 2018.

1. PRODUCTION REVIEW:

Description	(Nos.)	
	2016-17	2017-18
Three Wheeler	6650	3664

As per recent order of Supreme Court BS-III Vehicles will not be allowed for manufacturing & Sale after 1st April 2017. The approval of BS-IV complied Vehicle were not available and few models got approved between May to September 2017 hence reduction in the number of units produced.

2. SALES REVIEW:

The Sales performance for the year is shown below:

Description	2016-17		2017-18	
	Physical	Financial	Physical	Financial
Three Wheeler	6349	10030.56	3107	4870.20
Spares	-	337.95		157.12
Petrol, Diesel, Lubricants etc	-	216.93		Nil
Other Operating Revenue	-			27.95
Total	-	10855.44		5055.27

3. FINANCIAL REVIEW:

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

Description	(₹ in lakhs)	
	2016-17	2017-18
a) Profit before Depreciation, Interest, Taxes, Prior Year Items & Other Income	(1084.89)	(2283.63)
b) Profit before Depreciation, Interest, Taxes, & Other Income	(1084.89)	(2283.63)
c) PBDIT	(660.07)	(1627.89)
d) Profit /(Loss) for the Year	(1025.81)	(1870.11)



During the year under report:

- (1) Loss before depreciation, interest, taxes, prior year items & other income increased by Rs. 1105.19 lakhs as compared to the previous year.
- (2) Loss before depreciation, interest, taxes, & other income increased by Rs. 1104.33 Lakhs as compared to the previous year.
- (3) Profit before depreciation, interest & taxes, decreased by Rs. 871.85 lakhs as compared to the previous year.
- (4) Net profit for the year decreased by Rs. 842.44 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 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 current year 2017-18 are also under stress. Though the Company has got vehicle type approval of few vehicle models namely VIKRAM 1500CG, 1000CG on May 2017, 750 D on July 2017 and 450 D on September 2017 of BS-IV; however liquidity crunch has further stressed the operations all through the year.

1MW Roof Top Solar Power Plant has been installed and commissioned on 10th August, 2017. This will lead to substantial savings in energy cost.

5. CONTRIBUTION TO EXCHEQUER

The company has contributed a sum of Rs. 709.06 lakhs (towards duties & taxes) to the exchequer during the period under review vis-à-vis Rs. 2167.26 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. 12.98 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 31st 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 31st 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 31st March, 2012 onwards. The matter of repayment of principal & interest on non-plan loan sanctioned during financial year 2012-13 of Rs. 189 Lakhs, which has been followed up with Department of Heavy Industry since the year 2013-14, has been approved and Ministry of Heavy Industry and Public Enterprises vide its letter No. F3-33/2009 PE-VI(Vol-IV) dated 5th June 2018 communicated the freezing of the interest on the Non Plan Loan of Rs.1.89 crore and conversion into Equity of the Outstanding Principal amount of Rs.1.89 Crore. The Company has accordingly made allotment of 18.90 lacs equity shares of Rs. 10/- each. The GOI has also approved the reduction of equity of Rs. 85.21 crores in the share capital of SIL held by GOI against the accumulated losses with effect from 31.03.2013. The Company has been preparing its annual reports for 2012-13 and onwards recognizing the aforesaid reduction, so no revision in annual accounts is required to be made. 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 i.e. beginning w.e.f. 23.7.2016.

9. AUDITORS' REPORT

M/s Dhawan & Madan, Chartered Accountants have been appointed by the Comptroller and Auditor General of India, as Statutory Auditors of the Company for the year 2017-



18. The Statutory Auditors' Report on the accounts of the Company for the financial year ended 31st March, 2018 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 2018-19.

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 01.04.2018 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 category 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 renewable.
- To make a mark in Electric Three Wheeler market and thus support the cause of environment protection for further generations

(B) MARKET SCENARIO

(i). The total number of 3-Wheelers produced and sold in the domestic market by manufactures in India during the year 2017-18 as against 2016-17 is given below :



Category Segment/ Sub- segment	Production (In Nos.)	
	April'16- March'17	April'17- March'18
Passenger Carrier	671361	899023
Goods Carrier	112360	122888
Total	783721	1021911

Domestic Sales (In Nos.)		
Passenger Carrier	402189	517423
Goods Carrier	109690	118275
Total	511879	635698

Note: Sales excluding Export of 281894 nos. in 2016-17 and 381002 nos. in 2017-18

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. SIL has achieved sales of 6348 nos. in 2017-18. This has also resulted in decrease the SIL market share from 1.28 % in 2016-17 to 0.44 % in 2017-18.

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 2017-18 (SIL sales 1210 nos. out of 1210 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) Opportunities & Threats:

C1. Strengths:

- Integrated plant with capability to produce majority of components.
- Induction of new Machinery through CAPEX has improved quality as well as Productivity.
- Skilled manpower at reduced cost by re-engage retired personals.
- Scope of doubling/tripling the production with minimum investment,.

C2. Weakness :

- Depleting manpower.
- Sourcing of material at economical costs is difficult due to low volumes. This is also resulting in weak supply chain.
- Location of plant with respect to automotive hub:
- Not able to introduce new models/variants due to low volumes of production.
- Not having strong" vehicles finance" tie ups.

C3. Opportunities:

Growing automobile sector

Untapped markets - 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 such as Electric Vehicle.

Options for technology infusion

Rapidly growing network for CNG supply

Replacement market of 4W SCV, like Tata Ace with 3 wheelers.



C4. Threats:

Growing e- rickshaws markets.

Increase in product substitution effect by rapidly growing Electric Market Vehicle

Increased competition both from organized and unorganized players

Frequent changes in Market Norms.Volatility in Raw Materials prices/input and difficulty in passing on cost increase.

(D) 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 because of low volumes of production and so is the average age profile of the employees. While the company needs to reduce its manpower cost even while putting efforts to infuse fresh blood simultaneously.

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 1+3- Passenger Category segment which has strong market preference. This segment contribution has high volumes though the margins are low. The established player's viz. Piaggio, Mahindra etc. dominate the market. SIL is putting extra efforts to enhance its market share in this segment by expanding its market network to southern states.

Employees' aspiration for effecting revision in salary and wages.

(E) 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.

The various efforts are as under

- Introduction of Electric Passenger Vehicle with Li-ion Battery with DC Motor as short term strategy.