

47th ANNUAL REPORT 2018-19




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 S.K Singh	GOI, Part time Official Director	15.01.2018 to till date
Smt Ritu Pande	GOI, Part time Official Director	13.11.2018 to till date
Smt Parveen Gupta	GOI, Part time Official Director	15.01.2018 to 13.11.2018

STATUTORY AUDITOR

Asija & Associates LLP
1st Floor, 34/5 Gokhle Marg,
Lucknow 226001

SECRETARIAL AUDITOR

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

REGISTERED OFFICE & WORKS

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

REGISTRAR & TRANSFER AGENT

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

INTERNAL AUDITOR

Vimal Dixit & Associates
Chartered Accountants,
66/75, Chitwanpur Road,
Opp Vikas Deep Building,
Station Road, Lucknow

STOCK EXCHANGE

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 47th 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, 2019.

1. PRODUCTION REVIEW

Description	2017-18	(Nos.) 2018-19
Three Wheeler	3664	4703

2. SALES REVIEW

The Sales performance for the year is shown below:

Description	2017-18		2018-19	
	Physical	Financial (₹ In lakhs)	Physical	Financial (₹ In lakhs)
Three Wheeler	3107	4870.20	4252	6196.53
Spares		157.12		185.67
Petrol, Diesel, Lubricants etc		Nil		Nil
Other Operating Revenue		27.95		3.00
Total		5055.27		6385.20

3. FINANCIAL REVIEW

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

Description	2017-18	(₹ In lakhs) 2018-19
a) Profit/Loss before Depreciation, Interest, Taxes, Prior Year Items & Other Income.	(2283.63)	(484.48)
b) Profit/Loss before Depreciation, Interest, Taxes, & Other Income	(2283.63)	(484.48)
c) PBDIT	(1627.89)	(269.96)
d) Profit /(Loss) for the Year	(1862.22)	(463.26)



During the year under report:

- I. Loss before depreciation, interest, taxes, prior year items & other income decreased by Rs. 1799.15 lakhs as compared to the previous year.
- II. Loss before depreciation, interest, taxes, & other income decreased by Rs. 1799.15 Lakhs as compared to the previous year.
- III. Loss before depreciation, interest & taxes, decreased by Rs. 1357.93 lakhs as compared to the previous year.
- IV. Loss for the year decreased by Rs. 1398.96 lakhs as compared to the previous year.

4. CONTRIBUTION TO EXCHEQUER

The company has contributed a sum of Rs. 684.93 lakhs (towards duties & taxes) to the exchequer during the period under review vis-à-vis Rs. 709.06 lakhs during previous financial year.

5. DIVIDEND

Your Directors did not recommend final dividend for the Financial Year 2018-19.

6. TRANSFER TO RESERVES

The Company does not propose to transfer to the general reserves out of the amount available for apportion.

7 ISSUE OF SHARES WITH OR WITHOUT DIFFERENTIAL RIGHT, SWEAT EQUITY ESOP :

The paid up Equity Share Capital as at 31st March, 2019 stood at Rs. 87.27 crores comprising of 87275500 shares of Rs. 10 each. 8,72,755,000. During the year the Company has issued 1890000 Equity Shares of Rs. 10 each to Government of India.

8. EXPORT

The company has started making export of vehicles after so many years . The first lot of vehicles were dispatched to Nepal. Further the royalty income during the year by way of foreign exchange remittances also remained nil, in view of ongoing legal cases..

9. EXPENDITURE ON ADVERTISEMENT AND PUBLICITY:

An expenditure of Rs. 16.19 Lakhs was incurred on account of advertisement and publicity in the year.

10. 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 letter No. F3-33/2009 PE-VI(Vol-IV) dated 5th June 2018 DHI 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.

11. MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION OF THE COMPANY WHICH HAVE OCCURRED FROM 01.04.2019 TO DATE

No material change and commitment have been made by the company from 01.04.2019 to date that has adverse effect on the financial position.

12 Management Discussion and Analysis

Industry structure and development : Automotive industry in India is one of the main pillars of the economy. With strong backward and forward linkages, it is a key driver of growth. Liberalization and conscious policy interventions over the past few years created a vibrant, competitive market, and brought several new players, resulting in capacity expansion in automobile industry and generation of huge employment. Aptly, the sector was christened as the 'Sunrise Sector' of the economy.

The contribution of this sector to the National GDP rose from 2.77% in 1992-93 to about 7.1% now. It provides direct and indirect employment to over 19 million people. India is fast turning into a global automotive hub. For the last two financial years in continuation, the 3-wheeler industry has gone upward.

In this financial year, the automotive industry is now suffering from excess capacity

Three Wheelers				
Manufacturers	Domestic Sales (In Numbers)		Market Share (In Percentage)	
	April-March		April-March	
	2017-18	2018-19	2017-18	2018-19
Atul Auto Limited	39,333	44,513	6.19	6.35
Bajaj Auto Ltd	3,69,637	3,98,826	58.15	56.89
Mahindra & Mahindra Ltd	54,625	66,140	8.59	9.43
Mahindra Electric Mobility Ltd	0	559	0.00	0.08
Piaggio Vehicles Pvt Ltd	1,52,879	1,69,970	24.05	24.25
Scooters India Ltd	2,795	4,288	0.44	0.61
TVS Motor Company Ltd	16,429	16,715	2.58	2.38
Total	6,35,698	7,01,011	100.00	100.00



and suppressed demand leading to lay-offs. Some of the areas causing distress in the automotive sector are: slowdown in economic growth, high cost of vehicle finance, high interest rates, high fuel prices, high inflation and negative market sentiments, increase in the commodity prices, high customs duty on Alloy Steel, Aluminium Alloy and Secondary Aluminium Alloy.

Even, Government policy on EV is also affecting the demand of 3-wheeler industry. We are expecting from the Government to give the relaxation for automobile industry as industry is showing negative growth. Government of India is also planning to introduce the BS-VI norms across the country w.e.f 01st April, 2020. 3-Wheeler industry is not prepared to accept this technological up gradation and public is also not ready to opt the Electric vehicles due to high cost, less durability and lack of charging station.

MISSION, VISION & OBJECTIVE

VISION SIL Vision is to grow as an organization in the field of automobiles with greater emphasis on E- Mobility.

MISSION Our Mission is to strengthen SIL presence in E-Mobility by foraying into Electric Vehicle market and thus to provide cleaner mobility solutions for future generations.

OBJECTIVE

- Design, Development and Commercialization of 2 to 3 variants of Electric 3-Wheeler by 2019-20.
- Design, Development and Commercialization of Electric 2-Wheeler by 2020-21.
- Design, Development and Commercialization of affordable 2 seater 4 wheeler by 2021-22.
- Creating Niche markets in Electric Vehicle Market.

B. MARKET SCENARIO-SEGMENT /PRODUCT WISE PERFORMANCE

I. (i). The total number of 3-Wheelers produced and sold in the domestic market by manufactures in India during the year 2018-19 as against 2017-18 is given below:

Category Segment/ Sub- segment	Productions	
	April'17- March'18	April'18-March'19
Passenger Carrier	899073	1132700
Goods Carrier	123108	136023
Total	1022181	1268723
Domestic Sales (In Nos.)		
Passenger Carrier	517423	572392
Goods Carrier	118275	128619
Total	635698	707011

Note : Sales excluding Export of 381002 nos. in 2017-18 and 567689 nos. in 2018-19.

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 4252 nos. in 2018-19. This has also resulted in increase the SIL market share from 0.44 % in 2017-18 to 0.61 % in 2018-19.

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 was 100% in 2017-18 (SIL sales 1200 nos. out of 1200 nos.).



- i) 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.

C OPPORTUNITIES AND THREATS

C 1 : Strengths

- Integrated plant with capability to produce majority of components by exercising checks on incoming RM quality and operations .
- Induction of new Machinery through CAPEX has improved quality of critical components as well as Productivity.
- Skilled manpower at reduced cost by re-engaging retired personnels .
- Scope of doubling / tripling the production with minimum investment,.
- Company has the advantage of E-Vehicle experience in late 90's as the automotive market is poised for growth in E-Mobility in coming years

C 2 : Weakness

- Depleting manpower.
- Sourcing of material at economical costs is difficult due to low volumes. This is also resulting in weak supply chain.
- The plant is located far way from automotive hubs like NCR, Pune, Chennai
- Not able to introduce new models/variants due to low volumes of production.
- Not having strong " vehicles finance" tie ups.

C 3 : Opportunities

- Expected exponential growth in E- Mobility sector
- Untapped markets - South, East & Exports
- Developing hub and spoke transportation model
- Increasing allocation of funds for E-Mobility under FAME Schemes
- Rapidly growing awareness about vehicular pollution leading to policy formulation for increase use of alternate fuel vehicles such as Electric Vehicle
- Navratna companies like BHEL, NTPC have joined hands with SIL to promote E-Mobility .

C 4 : Threats

- Implementation of BS VI emission norms w.e.f. 01/04/2020 for which the engine manufacturer are not ready with their engine and solution.



- Growing Electric vehicle market but the allied motor, controllers & Li-Ion battery manufacturing facilities are in nascent stages
- Increase in product substitution effect by rapidly growing 4 Wheeler SCV Increased competition both from organized and unorganized players. Frequent changes in Market Dynamics, Volatility in Raw Materials prices / input and difficulty in passing on cost increase.

D : Future Outlook:

The need for new design features in the existing product combined with improved quality features demands significant investment in Research & Development and also in plant & machinery. Existing over-lived plant & machinery is an area of concern.

Manpower is a challenge on all fronts . The average age profile of the employees is very high. The manpower cost in the company is still high because of low volumes. The company needs to reduce its manpower cost even while putting efforts to infuse fresh blood simultaneously.

The entire automobile engineering and especially commercial vehicles is facing tough challenge on the front of approaching BS VI implementation deadline and Govt. impetus for E-Mobility. The 3-wheelers industry is facing competition from 4-wheelers SCV in 1.0 ton and sub 1.0 ton category which is expected to aggravate the extremely competitive scenario and impact the volumes and margins.

Strict regulatory laws concerning pollution and their strict implementation by States combined with restriction on holding release of new passenger permits 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. dominates 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 implementation of 2007 wage and salary revision

E. Strategic Road Map:

Although there are several challenges faced by commercial vehicle segment and automobile industry in country, the performance of your company has improved considerably in comparison to the previous year because of increased production and sales. Your company have already initiated various initiatives to meet the forthcoming challenges for BS VI deadlines with strategic planning of Electric vehicles :

- Type Approval of Vikram 3 Wheeler Electric (6P+D) Passenger and Goods Carrier obtained from ICAT
- Introduction of Vikram Electric 3 Wheeler in (6P+D), (3P+D) Passenger and Goods Carrier with different makes of Li Ion Battery pack , DC Motor & Controller is underway .
- Development of Electric 2 Wheeler with Vijai Super / Lambretta design is under process .
- Working on E-Bus , E-Bicycle , E- 4 wheeler is underway .
- In long term it is planned to introduce electric Passenger /Load Carrier vehicles with Li-Ion Battery and AC Motor.

**ADEQUACY OF INTERNAL CONTROL:**

The Company has proper and adequate system of internal controls to ensure that all activities are monitored and controlled against any unauthorized use of disposal of assets, and that the transactions are authorized, recorded and reported correctly.

The Company ensures adherence to all internal control policies and procedures as well as compliance with all regulatory guidelines. The Company has in place adequate internal financial controls with reference to financial statements. The Statutory Auditors of the Company tested such controls and no reportable material weakness in the design or operation was observed.

OPERATIONAL REVIEW vs FINANCIAL REVIEW

During the year under report the company operations reported an increase in production nos. as well as revenue from operations and as a result of which the net losses are minimized significantly as compared to previous financial year. The operations of company remained under stress for following reasons :-

- a) Govt. Of India had floated an EOI for strategic sale of company in March'2018 wherein the Govt. intended to sell its entire equity. As a result of news of strategic selling all stakeholders of company started exercising restraints in business relations with SIL sensing following apprehensions:
 - Dealers & Customers: Dealers reported that customers have started refraining from buying SIL 3 wheelers perceiving future service credibility issues like Warranty/ Free services & supply of Spare Parts.
 - Vendors : All vendors supplying material to company started restricting their supplies & credit exposure. Most vendors changed their payment terms from Credit to advance.
 - Financial Institutions: All Banks & Financial institutions restricted themselves for extending Cash Credit , Over Draft or any other operational Credit to SIL.

Due to the above change, the operations during the current year 2019 are also under stress. Though the Company has got vehicle Type Approval of 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.

MATERIAL DEVELOPMENTS IN HUMAN RESOURCES/INDUSTRIAL RELATIONS FRONT AND NUMBER OF PEOPLE EMPLOYED:

The manpower strength of the Company as on 31 st March 2019 was 644 no. including regular and non-regular employees. Only 121 no. of employees are regular including Officers/staff's/Workmen.

The Company has put continued efforts to build capabilities for the workforce by adopting specific and targeted interventions for different categories of the work force. The Company conducted several in-house programs at specific locations with both internal and external training program which includes Team Building, Strategic Planning, Delegation , Dispute Resolution, Managing Difficult Conversations , Decision Making , Performance Management, Supervising, Effective communication, Time Management, 5S, Crisis Management, Leadership etc

The Company continues it's efforts to build further on reward and recognition practice by introducing award scheme both workers as well Officer/Staff's i.e. "Worker of the Month Award" and "Officer/Staff's of the month award" respectively. The Company