

# 48<sup>th</sup> ANNUAL REPORT 2019-20




**Scooters India Limited**

(A Government of India Enterprise)

An ISO 9001 Company

Contents	Page No.
Board of Directors	03
Directors Report	04
Auditors Report	26
Comments of C& AG u/s 143 of the Companies Act 2013	45
Corporate Governance Report	46
Balance Sheet	80
Profit & Loss Statement	82
Cash Flow Statement	84
Accounting Policies & Notes Annexed to and forming parts of the Accounts	87
Notice	124



**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 Rakesh Sharma	Non Executive Independent Director	28.01.2020 to till date
Shri M.P. Singh	Non-Executive Independent Director	28.01.2020 to till date

### STATUTORY AUDITOR

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

### SECRETARIAL AUDITOR

Amit Gupta & Associates  
Office 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 48th 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 31<sup>st</sup> March, 2020.

**1. PRODUCTION REVIEW**

Description	2018-19	(Nos.) 2019-20
ThreeWheeler	4703	3857

**2. SALESREVIEW**

The Sales performance for the year is shown below:

Description	2018-19		2019-20	
	Physical	Financial (₹ In lakhs)	Physical	Financial (₹ In lakhs)
Three Wheeler	4252	6196.53	4599	6757.21
Spares		185.67		347.72
Petrol, Diesel, Lubricants etc.		Nil		Nil
Other Operating Revenue		3.00		95.72
<b>Total</b>		<b>6385.20</b>		<b>7200.65</b>

**3. FINANCIAL REVIEW**

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

Description	2018-19	(₹ In lakhs) 2019-20
a) Profit/Loss before Depreciation, Interest, Taxes, Prior Year Items & Other Income.	(484.48)	(1572.96)
b) Profit/Loss before Depreciation, Interest, Taxes & Other income	(484.48)	(1572.96)
c) PBIDT	(269.96)	(1365.54)
d) Profit/(Loss) for the year	(463.26)	(1572.51)



**During the year under report:**

- I. Loss before depreciation, interest, taxes, prior year items & other income increased by Rs.1088.48 lakhs as compared to the previous year.
- II. Loss before depreciation, interest, taxes, & other income increased by Rs. 1088.48 Lakhs as compared to the previous year.
- III. Loss before depreciation, interest & taxes, increased by Rs. 1095.58 lakhs as compared to the previous year.
- IV. Loss for the year increased by Rs.1091.87 lakhs as compared to the previous year.

**4. CONTRIBUTION TO EXCHEQUER**

The company has contributed a sum of Rs.1110.37 lakhs (towards duties & taxes) to the exchequer during the period under review vis-à-vis Rs. 684.93 lakhs during previous financial year.

**5. DIVIDEND**

In view of losses, the Directors did not recommend final dividend for the Financial Year 2019-20.

**6. TRANSFER TO RESERVES**

In view of the losses, 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 Company has not issued any share with differential right, sweat equity, employee stock option during the year, hence, not applicable.

**8. EXPORT**

The company has exported 04 truck loads of vehicles to Nepal in 2019-20. Another lot could have been dispatched but because of Covid 19 Lockdown the same could not be materialized.

**9. EXPENDITURE ON ADVERTISEMENT AND PUBLICITY:**

An expenditure of Rs.188.56 Lakhs was incurred on account of advertisement and publicity in the year.

**10. STATUS OF REPAYMENT OF LOAN FROM GOI**

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/BIFR order the loan was repayable in 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. In accordance with the Board's decision in their meeting held on 8th April 2016 and in the background of letter F.No. 3(15)/2013-PE-VI dated 5th March 2015, the interest on CAPEX funds temporarily deployed as FDR remitted to Government of India in April 2014 amounting to Rs. 128.11 lakhs was adjusted against the installment of Rs. 400.00 lakhs due on 23rd July 2016. Accordingly principal of Rs 1600 lacs is outstanding.

**11. MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION OF THE COMPANY WHICH HAVE OCCURRED FROM 01.04.2020 TO DATE**

No material change and commitment have been made by the company from 01.04.2020 to date that has adverse effect on the financial position.

**Global Pandemic - Covid-19**



The outbreak of Coronavirus (COVID-19) pandemic globally and in India is causing significant disturbance and slowdown of economic activity. In many countries, businesses are being forced to cease or limit their operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. The world is in the mid of COVID-19 pandemic and it is yet unclear how it will unfold in near future. The governments across the world are deploying drastic measures, such as lockdowns, to contain this pandemic.

The economic impact of the 2020 corona virus pandemic in India has been largely disruptive. India's growth in the fourth quarter of the fiscal year 2020 went down to 3.1% according to the Ministry of Statistics. The Chief Economic Adviser to the Government of India said that this drop is mainly due to the corona virus pandemic effect on the Indian economy. Notably India had also been witnessing a pre-pandemic slowdown, and according to the World Bank, the current pandemic has "magnified pre-existing risks to India's economic outlook".

For the Company, the focus immediately shifted to ensuring the health and well-being of all employees, and on minimizing disruption to services for all our customers globally. From a highly centralized model consisting of work spaces set in large delivery campuses capable of accommodating thousands of employees, the switch to work from home for employees.

This being an unprecedented crisis humankind is facing, the full assessment of the impact on the business will be possible only with the passage of time.

## 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 up ward.

Three Wheelers				
Manufacturers	Domestic Sales (In Numbers)		Market Share (In Percentage)	
	April-March		April-March	
	2018-19	2019-20	2018-19	2019-20
Atul Auto Limited	44,513	40,711	6.35	6.40
Bajaj Auto Ltd	3,98,825	3,64,817	56.89	57.31
Mahindra & Mahindra Ltd	66,140	58,145	9.44	9.13
Mahindra Electric Mobility Ltd	559	4,042	0.08	0.63
Piaggio Vehicles Pvt Ltd	1,69,970	1,52,366	24.25	23.94
Scooters India Ltd	4,288	4,550	0.61	0.71
TVS Motor Company Ltd	16,709	11,934	2.38	1.87
<b>Total</b>	<b>7,01,005</b>	<b>6,36,569</b>	<b>100.00</b>	<b>100.00</b>



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

The Automobile market has witnessed negative trend during the entire financial year. The demand during 2019-20 were low because of several factor like entire supply chain started restricting their supplies in view of the BS-VI norms. Electric Vehicles registration is a challenge in Passenger segment because of CMVR Rules mandating plying of contract carriage three wheelers with permits to be decided by states.

#### **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 two variants of Electric 3-Wheeler/ one variant of BS-VI 3-Wheeler by 2020-21.
- Design, Development and Commercialization of two more variants of Electric 3-Wheeler/BS-VI 3-Wheeler by 2021-22.
- Consolidation of E-Mobility business and BS-VI 3-Wheelers to make SIL a force of domination in 3-Wheeler Industry.
- Creating Niche market sin 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 manufacture sin India during the year 2019-20 as against 2018-19 is given below:

Category	Productions	
	April'18- March'19	April'19-March'20
Segment/ Sub- segment		
Passenger Carrier	1132700	1017051
Goods Carrier	136023	116807
Total	1268723	1133858
<b>Domestic Sales (In Nos.)</b>		
Passenger Carrier	572392	525015
Goods Carrier	128619	111554
Total	707011	636569

**Note :** Sales excluding Export of 567683 nos. in 2018-19 and 502169 nos. in 2019-20.

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 4599 nos. in 2019-20. This has also resulted in increase the SIL market share from 0.61% in 2018-19 to 0.71% in 2019-20.





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 2019-20 (SIL sales 1190 nos. out of 1190 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 afford ability 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 semiurban & rural areas for 3-Wheelers because of its high product maneuverability and drivability
  - Suitability of 3-Wheelers for congested Indian road 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" tieups.

### **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 mission norms w.e.f. 01/04/2020 for which the engine manufacturer are not ready with their engine and solution.





- In the last month of FY 2020, GOI notified implementation of countrywide lockdown due to COVID-19 pandemic under Disaster Management Act resulting affected business activities.
- Growing Electric vehicle market but the allied motor, controllers & Lilon battery manufacturing facilities are adversely affected because of Indo-China adverse relation as-well-as Covid-19 scenario.
- 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 Automobile Industry as a whole has witnessed negative growth in the past 02 financial consecutively. The entire automobile engineering and especially commercial vehicles is facing tough challenge on the front of approaching BS VI implementation. The 3-wheelers industry is facing competition from 4- wheelers SCV in 1.0 ton and sub 1.0ton category which is expected to aggravate the extremely competitiveness scenario and impact the volumes and margins.
- Strict regulatory laws combined with restriction on holding release of new passenger permits shall act as deterrent for company growth.
- Employees' aspiration for implementation of 2007 wage and salary revision.
- Covid-19 Pandemic situation is still in force. The Country has been under lockdown till the end of May, 20 and still unlock phase is not complete. As a result of business environment as suffered badly because the focus of customers has shifted from buying new goods to take care of health first safe.

#### **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 BSVI dead lines with strategic planning of Electric vehicles:

- Type Approval of Vikram 3 Wheeler Electric (6P+D) Passenger and Goods Carrier obtained from ICAT.
- The Type Approved vehicle has successfully qualified for FAME-II criteria of Government which indicate that vehicle is energy efficient.
- Introduction of Vikram Electric 3 Wheeler in (6P+D), (3P+D) Passenger and Goods Carrier with different makes of Lilon Battery pack, DC Motor & Controller is under way.
- Development of Electric 2 Wheeler with Vijai Super/Lambretta design is under process.
- Working on E-Bus, E-Bicycle, E-4 wheeler is under way.
- In long term it is planned to introduce electric Passenger/Load Carrier vehicles with Lilon 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 transaction 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) The company received the letter no. F.No.3(1)/2020-PE-VI dated 28.01.2020 from DHI wherein it was intended for closure of SIL in principle. As a result of this 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 to any other operational Credit to SIL.
- b) As per Government of India plan BS-IV norms were valid upto 31.03.2020 only as a result of which the entire supply chain as well as customer started restricting both supply of components as well as new purchases considering the fact that their inventory should not be blocked. Further Covid-19 has worsened the situation.

Due to the above change, the operations during the current year 2020 are also under stress.

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

The manpower strength of the Company as on 31<sup>st</sup> March 2020 was 579 no. including regular and non-regular employees. Only 93 no. of employees are regular including Officers/staffs/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 Mergers & Acquisition incl. Disinvestment compliances, Corporate Governance, Financial Management and Decision Making, Total Quality Management, Contract Management & Negotiation skills, GST Implementation issues & Challenges, Cost Optimization in CPSEs, IIFRS, HR Audit & HR Analytics etc. The Company maintained harmonious industrial relation in all unit of the Company during 2019-20.

**SIGNIFICANT CHANGES IN FINANCIAL RATIOS**

[Pursuant to Schedule V(B) to the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015]