



Annual Report 2015

**SML ISUZU LIMITED**

## CSR Initiatives 2014-2015 ...



Education - Infrastructure such as Desks, Chairs, Fans and Toilets in village schools



Preventive Healthcare – Health Camps and Safe Drinking Water in village schools



## CSR Initiatives 2014-2015



Healthcare – Ambulances and Patient Trolleys in Government Hospitals



Sanitation – Public Toilets and Underground Drainage System in a village close to Company's Plant



Girls Education – Support to under privileged girls in the form of School Fees, Uniforms and Books

# SML ISUZU LIMITED (FORMERLY SWARAJ MAZDA LIMITED)

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## BOARD OF DIRECTORS

S.K. TUTEJA - Chairman  
P.K. NANDA  
A.K. THAKUR  
DR. VASANTHA S. BHARUCHA  
SUDHIR NAYAR  
M. NAKAJIMA  
K. KUROKAWA  
K. TAKASHIMA  
M. NARIKIYO  
PANKAJ BAJAJ  
E. SETO - Managing Director & CEO  
GOPAL BANSAL - Whole-time Director & CFO  
K. KATAYAMA - Director – R&D

## COMPANY SECRETARY

PARVESH MADAN

AUDITORS	B S R & COMPANY
LISTING OF SHARES	BSE LIMITED NATIONAL STOCK EXCHANGE OF INDIA LIMITED
BANKERS	CANARA BANK INDIAN OVERSEAS BANK MIZUHO BANK LTD.
REGISTERED OFFICE & WORKS	VILLAGE : ASRON, DISTT. SHAHID BHAGAT SINGH NAGAR (NAWANSHAHR) PUNJAB-144 533
CORPORATE OFFICE	SCO 204-205, SECTOR 34-A, CHANDIGARH-160 135

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### **31ST ANNUAL GENERAL MEETING**

on Thursday, 24th September, 2015  
at 1.30 P.M. at Village Asron,  
Distt. Shahid Bhagat Singh Nagar,  
(Nawanshahr), Punjab - 144533

## REPORT OF THE DIRECTORS

The Directors are pleased to present their thirty-first Annual Report together with audited financial statements for the financial year ended 31st March 2015.

### PERFORMANCE REVIEW

The Indian economy witnessed a modest recovery in the year with lower fiscal and current account deficit, slowing inflation, lowering interest rates and weak commodity prices, particularly oil. It was hoped that the new initiatives on reforms and economic management would give considerable push to the industrial economy and business sentiment but the change was only marginal as reflected in the GDP growth to 7.3% from 6.9%. However, none of these assisted demand for commercial vehicles, which declined 1.3%. Sales volume in 5-12 ton GVW segment, in which the Company principally operates, remained virtually static. However, happily, your Company was able to achieve higher sales, at 11759 vehicles against 9760 in the previous year.

The financial performance of the Company, for the year ended 31st March, 2015 is summarized below:

(Rs. in Crores)

	2015	2014
Sales volume (No. of vehicles)	<b>11759</b>	<b>9760</b>
Net revenue	1,114.34	885.99
Less : material cost & other expenses	1,040.00	849.58
<b>Operating profit</b>	<b>74.34</b>	<b>36.41</b>
<b>Profit before tax</b>	<b>48.74</b>	<b>17.71</b>
<b>Profit after tax</b>	<b>36.94</b>	<b>17.40</b>
Balance of profit from prior years	103.28	92.70
<b>Surplus available for appropriation</b>	<b>140.22</b>	<b>110.10</b>
Transfer to General Reserve	3.70	1.74
Proposed dividend (including tax)	10.45	5.08
Amount carried to Balance Sheet	126.07	103.28

### DIVIDEND

The Directors have recommended payment of dividend of Rs. 6.0 per equity share of face value of Rs. 10 each for the year ended 31st March, 2015 (previous year - Rs. 3.0 per equity share ) amounting to Rs. 10.45 crores (previous year - Rs. 5.08 crores), including dividend distribution tax of Rs. 1.77 crores (previous year - Rs. 0.74 crores).

### MANAGEMENT DISCUSSION AND ANALYSIS

A Management Discussion and Analysis, which also covers the state of the Company's affairs, forms a part of this report.

### CORPORATE GOVERNANCE

A report on corporate governance together with the Auditors' Certificate confirming compliance with corporate governance norms, as stipulated in the Listing Agreements, forms a part of this report.



## **INDUSTRIAL RELATIONS**

Industrial relations and work atmosphere remained cordial throughout the year with sustained communication and engagement with workforce through various forums.

## **CREDIT RATING**

The Company continues to enjoy the highest rating for short term borrowings, of A1+ from ICRA reflecting the Company's financial prudence. Further, the long term rating for line of credit / cash credit limits has been upgraded from A+ to AA-.

## **SAFETY, HEALTH AND ENVIRONMENT**

The Company continues to demonstrate strong commitment to safety, health and environment which have been adopted as core organizational values. The Company assures safety and audits its facilities in accordance with statutory and regulatory requirements.

Employees are continuously made aware of hazards / risks associated with their job and necessary training is imparted to update their knowledge and skill to meet any emergency. Regular medical and occupational check-ups of employees are conducted and eco-friendly activities are promoted.

Safe disposal of hazardous waste is ensured through an effluent treatment plant and an incinerator; a sewage treatment plant ensures eco-friendly disposal of sewage.

## **CURRENT BUSINESS ENVIRONMENT**

High degree of optimism arising out of policy statements from a new stable government, most economists forecasting that the Indian economy is set for sustained growth with lower oil prices, some containment of inflation, stable financial and currency policy, has been somewhat belied so far. The expected growth in industrial, construction and mining sectors is still elusive. However, encouraged by replacement demand, an early resolution of the GST stalemate and a reasonable monsoon all together justify the growth forecast by the Society of Indian Automobile Manufacturers (SIAM) of 13-15% for medium & heavy vehicles and 3-5 % for low weight vehicles. Overall growth of commercial vehicle industry in the first quarter of the current year April-June, 2015 was reported at 6% (Domestic – 3.6% and Exports – 26.0%).

The Company registered sales volume growth of 5%, in the first quarter, 3810 (3629) vehicles, out of which passenger vehicle sale was 2766 (2749) and cargo trucks 1044 (880). Although the growth trend is expected to be maintained, that has to be seen in the light of prevailing uncertainty over enforcement of safety / emission regulations in respect of commercial vehicles.

On net revenue of Rs. 385.2 crores, the Company has earned profit after tax of Rs. 29.1 crores in the first quarter of the current year compared with Rs. 340.3 crores and Rs. 23.4 crores, respectively in the corresponding quarter last year.

In view of the foregoing comments, the Directors can look to a reasonable sales performance in the current year, but no more, with continuing emphasis on cost control and cash management.

The civil construction work in respect of the Company's capex project envisaging an outlay of Rs. 220 crores, as stated in the last Annual Report, for technology, product development and up-gradation, plant infrastructure to improve manufacturing efficiency commenced during the last quarter of financial year under review. Other work is also in progress.

## **DIRECTORS**

Mr. Katsuya Okihira tendered his resignation as Director of the Company in March, 2015. The Board, at its Meeting held on 27th March, 2015, recorded its deep appreciation for his valuable support and advice during his tenure.

Mr. Hiroshi Omino tendered his resignation as Director of the Company in July, 2015. The Board, at its Meeting held on 7th August, 2015, recorded its deep appreciation for his valuable support and advice during his tenure.

Mr. Masahiro Narikiyo was appointed as an Additional Director of the Company on 27th March, 2015 and holds office up to the forthcoming Annual General Meeting. The Company has received Notice under Section 160 of the Companies Act, 2013 proposing Mr. Narikiyo's appointment as a Director of the Company for consideration of the Members at the forthcoming Annual General Meeting.

Mr. Kimitoshi Kurokawa was appointed as an Additional Director of the Company on 7th August, 2015 and holds office up to the forthcoming Annual General Meeting. The Company has received Notice under Section 160 of the Companies Act, 2013 proposing Mr. Kurokawa's appointment as a Director of the Company for consideration of the Members at the forthcoming Annual General Meeting.

Mr. Masaki Nakajima retires by rotation and being eligible, offers himself for re-appointment.

Mr. Kyoichiro Takashima retires by rotation and being eligible, offers himself for re-appointment.

At the last Annual General Meeting of the Company, held in September 2014, the Members had approved the appointment of Mr. Hiroshi Omino and Mr. Kyoichiro Takashima as Non-Executive Directors, Mr. S.K.Tuteja, Mr. P.K. Nanda, Mr. A.K.Thakur, Mr. Sudhir Nayar and Dr. (Mrs.) Vasantha S. Bharucha as Independent Directors, Mr. Eiichi Seto as Managing Director & CEO, Mr. Gopal Bansal as Whole-time Director & CFO and Mr. Kei Katayama as Director - R&D.

All the independent Directors have given declarations to the Company that they meet the criteria of 'independence' set out in the Listing Agreements and the Companies Act, 2013.

#### **KEY MANAGERIAL PERSONNEL (KMPs)**

In terms of the applicable provisions of the Companies Act 2013, following were appointed as KMPs w.e.f. 1st April, 2014:

<b>Name</b>	<b>Designation</b>
Mr. Eiichi Seto	Managing Director & CEO
Mr. Gopal Bansal	Whole-time Director & CFO
Mr. Parvesh Madan	Company Secretary

No KMP has resigned or was newly appointed during the year.

#### **NOMINATION AND REMUNERATION POLICY**

Based on the recommendations of the Nomination and Remuneration Committee, the Board approved a Nomination and Remuneration Policy, which is attached as **Annexure A**.

#### **RELATED PARTY TRANSACTIONS**

All related party transactions that were entered into during the financial year were on an arm's length basis, in the ordinary course of business and were in compliance with the applicable provisions of the Companies Act, 2013 ('the Act') and the Listing Agreements. There were no material transactions made by the Company during the year that would have required shareholders approval under the Listing Agreements.

All related party transactions are placed before the Audit Committee for approval. Prior omnibus approval of the Audit Committee is obtained for the transactions which are repetitive in nature.

The Company has adopted a policy to deal with related party transactions as approved by the Board of Directors. It is uploaded on the Company's website at web link: <http://smlisuzu.com/Financials/RPTPolicy.aspx>.

In terms of Section 134(3)(h) of the Companies Act, 2013, there are no transactions to be reported in Form AOC-2.



## **EXTRACT OF ANNUAL RETURN**

Pursuant to Section 92 (3) of the Act and Rule 12 (1) of The Companies (Management and Administration) Rules, 2014, the extract of Annual Return in Form MGT-9 is attached as **Annexure B**.

## **MEETINGS OF THE BOARD**

Five Board meetings were held during the year as detailed in the Corporate Governance Report.

## **AUDIT COMMITTEE**

The Audit Committee comprises three non-executive independent Directors, Mr. P.K. Nanda, as Chairman, Mr. A.K. Thakur and Mr. Sudhir Nayar, and one whole-time director, Mr. Gopal Bansal, Whole-time Director & CFO. All the recommendations made by the Audit Committee during the year were accepted by the Board.

## **PARTICULARS OF EMPLOYEES**

The information as per Section 197 of the Companies Act, 2013 read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, forms part of this Report. However, as per the provisions of Section 136 of the Act, the Report and Accounts are being sent to the members and others entitled thereto without the information on employees' particulars which is available for inspection by the members at the Registered Office of the Company during business hours on all working days up to the date of the ensuing Annual General Meeting. Any member interested in obtaining a copy thereof may write to the Company Secretary in this regard.

## **PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS UNDER SECTION 186 OF THE COMPANIES ACT, 2013**

The Company has not given any loans, guarantees or made any investments during the year, which would be covered by Section 186 of the Companies Act, 2013.

## **AMOUNTS PROPOSED TO BE CARRIED TO RESERVES**

The Company proposes to carry Rs. 3.70 crores to General Reserve for the FY 2014-15. (Previous year - Rs. 1.74 cores).

## **MATERIAL CHANGES AND COMMITMENTS AFFECTING FINANCIAL POSITION OF THE COMPANY**

No adverse material changes have occurred or commitments made after 31st March, 2015 which may affect the financial position of the Company or require disclosure.

## **SUSTAINABILITY INITIATIVE**

Your Company is conscious of its responsibility towards preservation of natural resources and continuously takes initiatives to reduce consumption of electricity and water.

## **RISK MANAGEMENT**

The primary objective of risk management is to protect the Company against risks to the value of the business, its capital and its continuity. In order to achieve the objective and for better governance, the Board has constituted a Risk Management Committee (RMC) comprising three independent Directors, one non-executive Director and the Whole-time Director & CFO.

RMC is entrusted with the functions, earlier overseen by the Audit Committee, of determining efficacy of risk management framework of the Company, evaluation of risks and mitigating measures. Based on its recommendations, the Company has adopted a formal Risk Management Policy.

The Policy sets out important areas of risk- financial risks (including risk to assets), legislative and regulatory risks, environmental risks (including natural disasters), operational risks (markets, production, technology, etc.), risks relating to employment and manpower, and individual large transactional risks. The Managing Director & CEO identifies and proposes action in respect of all risks through his management team as and when any are perceived or foreseen or inherent in operations; analyses these, and then reports to RMC for its review and guidance.

## **CORPORATE SOCIAL RESPONSIBILITY**

Pursuant to Section 135 of the Companies Act, 2013, your Directors have constituted Corporate Social Responsibility (CSR) Committee with two independent non- executive Directors, namely, Mr. S.K.Tuteja, as Chairman and Dr. (Mrs.) Vasantha S. Bharucha (w.e.f. 8th May, 2015), and two whole-time Directors namely Mr. Eiichi Seto, Managing Director & CEO and Mr. Gopal Bansal, Whole-time Director & CFO as its members. On its recommendation, the Board has adopted a Company policy on CSR with thrust areas of activities to include promoting healthcare and sanitation, supporting education of under privileged children / girl child, sponsoring vocational education for women and providing support to war widows and their dependents.

Annual Report on CSR activities for the year ended 31st March 2015 is attached as **Annexure C**.

## **BOARD EVALUATION**

Pursuant to the provisions of the Companies Act, 2013 and the Listing Agreements, the Board has carried out an annual evaluation of its own performance and that of its Committees after seeking inputs from all the Directors and members of relevant Committees. The Board also carried out performance evaluation of each Director based on the evaluation carried out by the Nomination and Remuneration Committee (NRC).

The criteria for performance evaluation was set out by NRC and adopted by the Board. These included composition and structure of the Board and its Committees, effectiveness of the Committees, knowledge of the Company's operations by members, their participation at meetings including preparedness for issues for consideration, level of contributions in assessing and improving performance of the Company and interactions amongst themselves and with senior management. Adherence to code of conduct of the Company, fiduciary and statutory obligations, continuing maintenance of independence by independent Directors were a part of the performance evaluation.

The Board was satisfied with its composition and its diversified nature and that all Directors upheld highest standards of integrity and probity, adhered to Company's code of conduct, made constructive and effective contribution at meetings and generally carried out their responsibilities well in the interest of the Company and its stakeholders.

A separate meeting of independent Directors was held to review the performance of non-independent Directors, performance of the Board as a whole and performance of the Chairman of the Company, taking into account the views of other Directors. That review was most satisfactory.

## **CHANGE IN THE NATURE OF BUSINESS**

There has been no change in the nature of business of the Company during the year.

## **SHARE CAPITAL**

There was no change in the Company's issued, subscribed and paid-up equity share capital during the year.

## **DEPOSITS**

The Company has not accepted deposits under Chapter V of the Companies Act, 2013.

## **SIGNIFICANT ORDERS PASSED BY REGULATORS, COURTS OR TRIBUNALS IMPACTING GOING CONCERN AND COMPANY'S OPERATIONS**

To the best of our knowledge, the Company has not received any such orders from regulators, courts or tribunals during the year which may impact the going concern status of the Company or its operations in future.