

**SML
ISUZU**

ANNUAL REPORT 2021

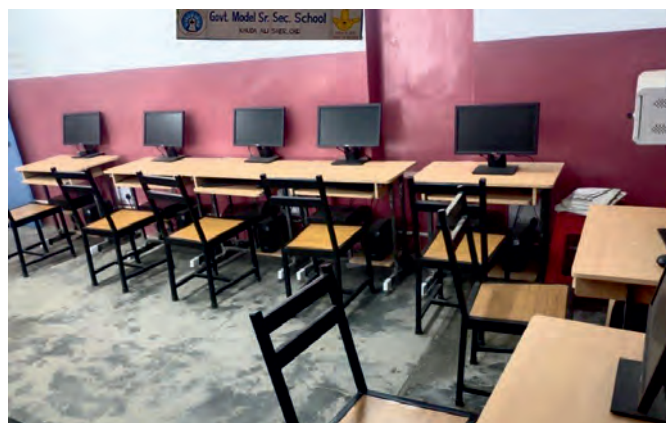
SML ISUZU LIMITED



CSR INITIATIVES 2020-21...



Education - Support to under privileged girls in the form of Fees, Uniforms & Books



Vocational Training - Projects for economically backward section of society



Healthcare – Upgradation of Medical Infrastructure in Government Hospitals

SML ISUZU LIMITED (FORMERLY SWARAJ MAZDA LIMITED)

BOARD OF DIRECTORS

S.K. TUTEJA - Chairman

SUDHIR NAYAR

DR. VASANTHA S. BHARUCHA

CHANDRA SHEKHAR VERMA

G. IWANAMI

E. SETO

N. MURAKAMI

T. HORIKOSHI

PANKAJ BAJAJ

Y. HASHIMOTO - Managing Director & CEO
(upto 19th May, 2021)

J. YAMANISHI - Managing Director & CEO
(w.e.f. 20th May, 2021)

T. YAMAMOTO - Director-Quality Assurance

CHIEF FINANCIAL OFFICER

RAKESH BHALLA

COMPANY SECRETARY

PARVESH MADAN

AUDITORS

WALKER CHANDIOK & CO LLP

LISTING OF SHARES

BSE LIMITED
NATIONAL STOCK
EXCHANGE OF INDIA LIMITED

BANKERS

AXIS BANK
CANARA BANK
HDFC BANK
MIZUHO BANK LTD.
MUFG 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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37TH ANNUAL GENERAL MEETING

on Friday, 30th July, 2021

at 01:00 P.M. through

Video Conferencing / Other Audio Visual Means

REPORT OF THE DIRECTORS

The Directors are pleased to present their Thirty-Seventh Annual Report together with audited financial statements for the financial year ended 31st March 2021.

PERFORMANCE REVIEW

During FY 2020-21, the Covid-19 pandemic significantly impacted the businesses and economies across the world. Due to reduced economic activity and restricted mobility, GDP contracted in many countries including India. The stringent measures taken by the Government of India to curb the spread of pandemic have had an inevitable impact on Indian Economy. Consequently, for FY 2020-21, GDP is expected to contract by 8.0 percent against 4.2 percent growth achieved last year (FY 2019-20).

Domestic Commercial Vehicles Industry (CVI), which was already in the midst of a downcycle, witnessed sharp volume contraction during FY 2020-21 as the Covid-19 pandemic added to its woes. Although, there has been some improvement in the volumes during H2 FY 2020-21, with ease of lockdown restrictions, the recovery was not uniform, trucks being solely the driving force. Due to closure of schools & educational institutions and negligible tourist operations throughout the year and work from home culture adopted by most of the Corporates, demand for buses has been impacted severely.

As a result, during FY 2020-21, the domestic CVI registered decline of 21 percent with volumes reaching at 5,68,600 vehicles. Light Commercial Vehicles (LCVs) declined by 17 percent with volumes at 4,07,900 and Medium & Heavy Commercial Vehicles (M&HCVs) declined by 28 percent with volumes at 1,60,700. The 5-12 ton GVW category, in which the Company principally operates, declined by 44 percent with volumes reaching at 65,100.

In line with the Industry, the Company's sales volume also dropped significantly, reaching 5,043 vehicles in FY 2020-21 (10,533 in FY 2019-20) - a decline of 52 percent, which has adversely impacted the revenue and profits of the Company.

The financial performance of the Company, for the year ended 31st March, 2021 is summarized below :

(Rs. in Crores)

Year ended 31st March	2021	2020
Sales Volume (No. of Vehicles)	5,043	10,533
Sale of Products (Net) and Other Operating Revenues	591.48	1,154.16
Profit / (Loss) before Other Income, Depreciation, Finance Costs and Tax	(68.35)	11.89
Add: Other income	4.49	5.14
Profit / (Loss) before Depreciation, Finance Costs and Tax	(63.86)	17.03
Less: Depreciation and Amortisation	46.17	40.72
Profit / (Loss) before Finance Costs and Tax	(110.03)	(23.69)
Less: Finance Costs	23.34	14.63
Profit / (Loss) before Tax	(133.37)	(38.32)
Less: Tax (Including Deferred Tax)	0.12	(17.26)
Profit / (Loss) after Tax	(133.49)	(21.06)
Add: Other Comprehensive Income / (Loss) [Net of Tax]	4.19	(2.43)
Total comprehensive income for the year	(129.30)	(23.49)

DIVIDEND

Keeping in view the financial position of the Company, the Directors of your Company have not recommended any dividend for the Financial Year 2020-21.

Pursuant to Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, the Board has approved and adopted a Dividend Distribution Policy, effective from 1st April, 2021. The policy is available on the Company's website at <https://www.smlisuzu.com/Financials/DividendPolicy.aspx>

MANAGEMENT DISCUSSION AND ANALYSIS

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 Certificate from M/s. A. Arora & Co., a firm of Practicing Company Secretaries, confirming compliance with corporate governance norms as stipulated under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, 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.

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 ensures safety and audits its facilities in accordance with statutory and regulatory requirements. The Directors review these areas periodically through reports and presentations made at the Board Meetings. Employees are continuously made aware of hazards / risks associated with their job and their knowledge and skills are updated through requisite training to meet any emergency. Medical check-ups and eco-friendly activities are conducted periodically. Safe disposal of hazardous waste is ensured through recyclers / co-processors of hazardous wastes. Effluent treatment plant and online monitoring systems have been installed for the treatment of trade & domestic effluents and usage of treated water for other processes like green belt maintenance.

For safety of its employees/workers, the Company is strictly adhering to the safety procedures & protocols prescribed by the Government for prevention of Covid-19. Further, vaccination of employees is being ensured through vaccination camps at the Company's Plant / Offices.

The Company continues to maintain and uphold ISO 14001:2015 (Environmental Management System), IATF 16949: 2016 (Automotive Quality Management System), ISO 27001:2013 (Information Security Management System), ISO 9001:2015 (Quality Management System) and ISO 45001:2018 (Occupational Health & Safety Management System) certifications.

CURRENT BUSINESS ENVIRONMENT

After reporting a sharp 29 percent contraction in the volumes during FY 2019-20 and further 56 percent contraction in H1 FY 2020-21, the CV industry witnessed some improvement in the demand during H2 FY 2020-21 post relaxation of the lockdown related restrictions. Industry volumes grew by 18% during H2 FY 2020-21, although on a considerably lower base. However, in the current fiscal (2021-22), the growth momentum has been stalled due to sudden and severe onset of second wave of the pandemic resulting in lockdown in most of the States leading to disruption in the supply chain. As a result, sale of commercial vehicles has been impacted adversely during April 2021 and is likely to remain under pressure for some time, atleast during Q1 FY 2021-22.

Amidst such challenging scenario, the Company is ensuring to meet customers' requirements and continuing its focus on customer reach, product development, operational efficiencies and cost optimization. Further, on export front, the Company is aggressively working towards expanding its product portfolio for the international markets / territories, strengthening brand image outside India and exploring new markets & customers.

Current scenario and outlook for CV industry are discussed in detail in the Management Discussion and Analysis, which forms part of this report.

DIRECTORS

The Board, on the recommendation of its Nomination & Remuneration Committee, re-appointed Mr. Tadanao Yamamoto as Whole-time Director of the Company designated as Director-Quality Assurance for a further period of one year with effect from 30th November, 2020, subject to approval of the Members at the ensuing Annual General Meeting of the Company and of the Central Government, if required.

The tenure of Mr. Gopal Bansal, Whole-time Director & CFO, completed on 10th February, 2021. Accordingly, he ceased to be Director of the Company with effect from 10th February, 2021. The Board, at its meeting held on 5th February, 2021, recorded its deep appreciation for the outstanding work done by him during his long association with the Company.

Mr. Masaki Morohoshi tendered his resignation as Director of the Company with effect from 10th March, 2021. The Board, at its Meeting held on 26th March, 2021, recorded its deep appreciation for his valuable contributions to the Company.

The Board, on the recommendation of its Nomination & Remuneration Committee, has appointed Mr. Takuro Horikoshi as an Additional Director of the Company with effect from 19th May, 2021, subject to approval of the Members at the ensuing Annual General Meeting of the Company.

Mr. Yugo Hashimoto, Managing Director & CEO of the Company, tendered his resignation with effect from 19th May, 2021. The Board, at its Meeting held on 26th March, 2021, placed on record the outstanding work done by Mr. Yugo Hashimoto during his association with the Company and also appreciated his extraordinary leadership qualities, dedication, hard work and the professional expertise.

The Board, on the recommendation of its Nomination & Remuneration Committee, appointed Mr. Junya Yamanishi as Managing Director & CEO, in place of Mr. Yugo Hashimoto with effect from 20th May, 2021, for a period of five years, subject to approval of the Members at the ensuing Annual General Meeting of the Company and of the Central Government, if required.

At the last Annual General Meeting, held in August 2020, the Members had approved the appointment of Mr. Noboru Murakami as Non-Executive Director.

Mr. Gota Iwanami retires by rotation and being eligible, offers himself for re-appointment.

Mr. Eiichi Seto retires by rotation and being eligible, offers himself for re-appointment.

The details of the Directors being recommended for appointment / re-appointment are contained in the Notice convening the ensuing Annual General Meeting of the Company.

All the independent Directors have given declaration to the Company that they meet the criteria of 'independence' set out in the SEBI (LODR) Regulations, 2015 and the Companies Act, 2013. The Board is of the opinion that the Independent Directors of the Company hold highest standards of integrity and possess requisite expertise and experience required to fulfill their duties as Independent Directors.

KEY MANAGERIAL PERSONNEL (KMPs)

In terms of the applicable provisions of the Companies Act 2013, Mr. Yugo Hashimoto, Managing Director & CEO, Mr. Rakesh Bhalla, Chief Financial Officer and Mr. Parvesh Madan, Company Secretary, are the Key Managerial Personnel of the Company as on 31st March, 2021.

The tenure of Mr. Gopal Bansal, Whole-time Director & CFO, completed on 10th February, 2021, accordingly, the Board has appointed Mr. Rakesh Bhalla as new Chief Financial Officer of the Company w.e.f. 11th February, 2021.

Mr. Yugo Hashimoto tendered his resignation with effect from 19th May, 2021 and the Board has appointed Mr. Junya Yamanishi as Managing Director & CEO w.e.f. 20th May, 2021. On his appointment as Managing Director & CEO, Mr. Yamanishi will be a KMP under the provisions of the Companies Act, 2013.

NOMINATION AND REMUNERATION POLICY

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

SUBSIDIARIES, JOINT VENTURES AND ASSOCIATE COMPANIES

The Company does not have any Subsidiary, Joint Venture or Associate Company.

RELATED PARTY TRANSACTIONS

All related party transactions that were entered into during the financial year were at arm's length, in the ordinary course of business and in compliance with the applicable provisions of the Companies Act, 2013 and the Listing Regulations. There were no material transactions made by the Company during the year that would have required Members' approval.

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 available 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. The details of the related party transactions as per Ind-AS, are set out in Note 36 to the Financial Statements.

ANNUAL RETURN

In terms of Section 92(3) of the Companies Act, 2013 and Rule 12 of the Companies (Management and Administration) Rules, 2014, the Annual Return of the Company is available on the website of the Company at the web link: <https://smlisuzu.com/Upload/AGMNotice/AnnualReturn.pdf>

MEETINGS OF THE BOARD

Six Board meetings were held during the year as detailed in the Corporate Governance Report which forms part of this report.

AUDIT COMMITTEE

The Audit Committee comprises of three independent Directors, Mr. S.K. Tuteja, as Chairman, Mr. Sudhir Nayar and Mr. Chandra Shekhar Verma.

Mr. Gopal Bansal, Whole-time Director & CFO ceased to be the Member of the Committee upon completion of his term on 10th February, 2021.

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 (1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, forms part of this Report is attached as **Annexure B**.

The disclosure as per Section 197 of the Companies Act, 2013 read with Rule 5 (2) and Rule 5 (3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is provided in a separate annexure forming part of this Report. That annexure is not being sent to the Members and others entitled to this Report and the financial statements, as provided in Section 136 (1) of the Companies Act, 2013. Any member interested in obtaining a copy of the said Annexure may write to the Company Secretary at investors@smlisuzu.com.

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

No amount proposed to be transferred to General Reserves.

MATERIAL CHANGES AND COMMITMENTS AFFECTING FINANCIAL POSITION OF THE COMPANY

No material changes have occurred or commitments made after 31st March, 2021, 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 two independent Directors and one non-executive Director.

RMC is entrusted with the functions of determining efficacy of risk management framework of the Company, evaluation of risks and mitigating measures. The Company has adopted a formal Risk Management Policy based on the recommendations of RMC.

The Policy sets out key risk areas - financial risks (including risk to assets), commodity price risks, foreign exchange fluctuation risks, legislative and regulatory risks, environmental risks (including natural disasters), operational risks, IT & Cyber Security risks, 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. The Directors also bring to the notice of, and caution, the Committee of a risk perceived by them.

CORPORATE SOCIAL RESPONSIBILITY

The Corporate Social Responsibility (CSR) Committee comprises of one Independent Director - Dr. (Mrs.) Vasantha S. Bharucha as Chairman and two Executive Directors- Mr. Yugo Hashimoto, the Managing Director & CEO (upto 19th May, 2021) and Mr. Tadanao Yamamoto, Director-Quality Assurance. Mr. Junya Yamanishi, on his appointment as Managing Director & CEO, will be the Member of the Committee w.e.f. 20th May, 2021.

On the recommendations of the Committee, the Board has adopted Company's policy on CSR with key thrust areas defined as - promoting healthcare and sanitation, supporting education of girl child and under privileged children, sponsoring vocational education / technical education etc.

Annual Report on CSR activities for the year ended 31st March 2021 is attached as **Annexure C**.

BOARD EVALUATION

Pursuant to the provisions of the Companies Act and Listing Regulations, performance evaluation of the Board and its Committees and all the Directors has been carried out and the details are covered in the Corporate Governance Report.

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

During the year, the Company has not accepted any deposit 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 or any other authority during the year which may impact the going concern status of the Company or its operations in future. Further, there is no proceeding pending under the Insolvency and Bankruptcy Code, 2016.

POLICY ON PREVENTION, PROHIBITION AND REDRESSAL OF SEXUAL HARASSMENT AT WORKPLACE

The Company has adopted a policy in line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Rules there under. The Policy aims to provide protection to women at the workplace and prevent and redress complaints of sexual harassment and for matters connected or incidental thereto, with the objective of providing a safe working environment. The Company has also constituted an Internal Complaints Committee in accordance with the Act, to inquire into complaints and take appropriate action.

The Company has not received any complaint of sexual harassment during the year.

VIGIL MECHANISM/ WHISTLE BLOWER POLICY

The Company has adopted a whistle blower policy, to provide formal mechanism to the Directors and the employees to report their concerns about unethical behaviour, actual or suspected fraud or violation of the Company's code of conduct or ethics policy or to report genuine concerns or grievances including instances of leak or suspected leak of unpublished price sensitive information pursuant to SEBI (Prohibition of Insider Trading) Regulations, 2015. It provides for adequate safeguards against victimization of Directors, Employees and any other person who avail of the mechanism and provides for direct access to the Chairman of the Audit Committee.

Whistle Blower Policy of the Company is available on the Company's website at web link: <http://smlisuzu.com/Financials/WhistleBlowerPolicy.aspx>.

SECRETARIAL STANDARDS

The Company has duly complied with the applicable Secretarial Standards on meeting of Board of Directors (SS-1) and General Meetings (SS-2) issued by the Institute of Company Secretaries of India (ICSI).

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 134 (3) (c) and 134 (5) of the Companies Act, 2013, the Directors, to the best of their knowledge and ability, confirm that:

- (a) in the preparation of the annual accounts for the year ended 31st March, 2021, the applicable accounting standards have been followed and proper explanations provided relating to material departures, if any;
- (b) they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2021 and of the profit of the Company for the year ended on that date;
- (c) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;