



ANNUAL REPORT 2023



SML ISUZU LIMITED

CSR INITIATIVES 2022-2023



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



Vocational Education – Setting up of vocational labs in different areas such as Automotive and Retail Management



Vocational Education – Setting up of Beauty & Wellness Lab



Healthcare – Lawn Mower to Municipal Corporation Roopnagar, Punjab

SML ISUZU LIMITED (FORMERLY SWARAJ MAZDA LIMITED)

BOARD OF DIRECTORS

S.K. TUTEJA - Chairman

SUDHIR NAYAR

CHANDRA SHEKHAR VERMA

ATIMA KHANNA

MASAKI MOROHOSHI

EIICHI SETO

TAKURO HORIKOSHI

TAKASHI NISHIDA

JUNYA YAMANISHI - Managing Director & CEO

CHIEF FINANCIAL OFFICER

RAKESH BHALLA

COMPANY SECRETARY

PARVESH MADAN

STATUTORY AUDITORS	WALKER CHANDIOK & CO LLP
INTERNAL AUDITORS	S. TANDON & ASSOCIATES
LISTING OF SHARES	BSE LIMITED NATIONAL STOCK EXCHANGE OF INDIA LIMITED
BANKERS	AXIS 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-160 022

CONTENTS	PAGE NO.
1 Report of the Directors	3
2 Management Discussion and Analysis	10
3 Corporate Governance Report	15
4 Shareholders' Information	28
5 Certificate on Corporate Governance	34
6 Annexure to Directors' Report	35
7 Balance Sheet	82
8 Statement of Profit and Loss	83
9 Statement of Cash Flows	84
10 Statement of changes in Equity	86
11 Notes Forming Part of the Ind AS Financial Statements	87
12 Independent Auditor's Report	143
13 Certificate on Non-Disqualification of Directors	156
14 Certificate by Managing Director & CEO and CFO	157
15 Declaration by Managing Director & CEO	157
16 Notice of Annual General Meeting	158

39TH ANNUAL GENERAL MEETING

on Friday, 15th September, 2023

at 11:30 A.M. through

Video Conferencing / Other Audio Visual Means

REPORT OF THE DIRECTORS

The Directors are pleased to present their Thirty-Ninth Annual Report together with audited financial statements for the financial year ended 31st March 2023.

PERFORMANCE REVIEW

During FY 2022-23, Indian Economy witnessed GDP growth of 7.2% against 9.1% during FY 2021-22. GDP growth, during the year under review, was mainly driven by construction, mining, transport & other services apart from sustained growth in the agricultural sector.

During the year under review, the domestic CV Industry registered YoY growth of 34% with volumes reaching at 9,62,500. Sale of Light Commercial Vehicles (LCVs) increased by 27% with volumes at 6,03,500 and Medium & Heavy Commercial Vehicles (M&HCVs) increased by 49% with volumes at 3,59,000. The 5-12 ton GVW category, in which the Company principally operates, increased by 40% with volumes reaching at 1,10,200. **Your Company's sales volume increased by 68% (from 7,392 in FY 2021-22 to 12,442 in FY 2022-23) with higher share of buses. The Company was able to increase its bus market share from 14.9% (FY 2021-22) to 20.2% (FY 2022-23).**

The CV Industry growth, during the year under review, was supported by infrastructure push by the Government, strong replacement demand, pick-up in mining & construction activities, and some element of pre-buying prior to the introduction of BS6 Phase-2 norms effective from 1st April, 2023. Further, the growth was driven by opening up of offices and educational institutions and increase in tour & travel activities, etc.

With increase in volumes (from 7,392 vehicles to 12,442 vehicles – up 68%) and softening of commodity prices, financial performance of the Company has improved considerably during FY 2022-23 as summarized below:

(Rs. in Crores)

Year ended 31st March	2023	2022
Sales Volume (No. of Vehicles)	12442	7392
Sale of Products (Net) and Other Operating Revenues	1821.59	924.17
Profit / (Loss) before Other Income, Depreciation, Finance Costs and Tax	81.64	(41.20)
Add: Other income	3.12	5.96
Profit / (Loss) before Depreciation, Finance Costs and Tax	84.76	(35.24)
Less: Depreciation and Amortization	42.43	43.52
Profit / (Loss) before Finance Costs and Tax	42.33	(78.76)
Less: Finance Costs	25.05	21.51
Profit / (Loss) before Tax	17.28	(100.27)
Less: Tax (Including Deferred Tax)	(2.55)	(0.51)
Profit / (Loss) after Tax	19.83	(99.76)
Add: Other Comprehensive Income / (Loss) [Net of Tax]	(3.37)	5.68
Total comprehensive income for the year	16.46	(94.08)

DIVIDEND

Keeping in view the financial position of the Company, the Directors of your Company have not recommended any dividend for FY 2022-23.

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.

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

CURRENT BUSINESS ENVIRONMENT

The domestic CV Industry registered decline of 3.3% in wholesale volumes during Q1 FY 2023-24 with volumes at 2,17,000 (last year - 2,24,500).

M&HCVs truck segment has been impacted with unpredictable rainfall, tightened emission norms resulting in some pre-buying during last quarter of FY 2022-23 and elevated interest rates - declined 1.7% with volumes at 66,800 (last year - 68,000). LCV truck segment suffered due to high base effect and slowdown in e-commerce business - declined 8.9% with volumes at 1,24,800 (last year - 1,37,000). However, Bus segment witnessed strong growth in volumes backed by demand from the educational institutions and increased spending by the Government – up 30.4% with volumes at 25,400 (last year - 19,500).

During Q1 FY 2023-24, Your Company's sales volume increased by 14% (from 3511 in Q1 FY 2022-23 to 4006 in Q1 FY 2023-24). The Company's turnover for the first quarter is Rs. 633.8 crores and Profit Before tax (PBT) is Rs. 32.0 crores (against Q1 FY 2022-23 turnover of Rs. 500.7 crores and PBT of Rs. 2.3 crores).

Although CV industry volumes declined during Q1 FY 2023-24, Industry experts predict recovery in the subsequent quarters, supported by steady freight demand, economic recovery and the Government's focus on infrastructure spending in line with the budgetary allocations.

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

DIRECTORS

At the last Annual General Meeting, held on 21st September, 2022, the Members had approved the appointment of Ms. Atima Khanna as Non-Executive Independent Director (in place of Dr. (Mrs.) Vasantha S. Bharucha whose term was completed on 21st September 2022) and Mr. Takashi Nishida as Non-Executive Director (in place of Mr. Kazuo Goda who tendered his resignation effective from 10th August 2022).

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

Mr. Takashi Nishida 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. Junya Yamanishi, 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, 2023. During the year under review, Mr. Rakesh Bhalla was re-appointed as Chief Financial Officer of the Company from 11th February 2023 to 31st May 2025.

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

Sumitomo Corporation, Japan, a body corporate, is the Promoter of the Company and holds 43.96% shareholding of the Company. In terms of the provisions of Section 2(76) the Companies Act, the Company is an Associate Company of Sumitomo Corporation. However, 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 its 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 the 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.

EXTRACT OF 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_2023.pdf.

MEETINGS OF THE BOARD

Seven (7) 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. Sudhir Nayar, as Chairman, Mr. Chandra Shekhar Verma and Ms. Atima Khanna as its members. The tenure of Dr. (Mrs.) Vasantha S. Bharucha was completed on 21st September 2022 and Ms Atima Khanna was appointed in her place w.e.f. 22nd September 2022.

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, 2023, 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 a Risk Management Committee (RMC) comprising two independent Directors and Managing Director & CEO.

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 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 Policy also provides guidance for Business Continuity Plan. The Chief Risk Officer (CRO) identifies and proposes action in respect of all risks 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 three Directors - Mr. Chandra Shekhar Verma, Independent Director, as the Chairman, Mr. Takuro Horikoshi, Non-Executive Director and Mr. Junya Yamanishi, Managing Director & CEO as its members.

On the recommendations of its CSR 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, supporting deserving sportspersons etc.

Annual Report on CSR activities for the year ended 31st March, 2023 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 was undertaken 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. Further, the Company has not issued any sweat equity shares or equity shares with differential rights during the year under review.

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, Employees and Business Associates of the Company to report their concerns about unethical behavior, 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 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 the web link: <http://smlisuzu.com/Financials/WhistleBlowerPolicy.aspx>.

SECRETARIAL STANDARDS

The Company has duly complied with the applicable Secretarial Standards 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, 2023, 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, 2023 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; they have prepared the annual accounts on a going concern basis;
- (d) they have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and are operating effectively;
- (e) they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

FAMILIARISATION PROGRAMME FOR INDEPENDENT DIRECTORS

The details of familiarization programme for Independent Directors in respect of their roles, rights & responsibilities, nature of the industry in which Company operates, business model of the Company and related matters are available on the website of the Company at web link: <http://smlisuzu.com/Financials/FamiliarisationProgramme.aspx>

SECRETARIAL AUDIT

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, M/s A. Arora & Co., a firm of Company Secretaries in practice, was appointed as the Secretarial Auditors of the Company to carry out the Secretarial Audit of the Company for FY 2022-23.

The Secretarial Audit Report, for the year under review, does not contain any qualification and is attached as **Annexure D**.