

ANNUAL REPORT 2016



SML ISUZU LIMITED

CSR INITIATIVES 2015-2016 ...



Education - Basic Infrastructure such as Desks, Chairs, Fans, School Bus and Toilets in village Schools



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

CSR INITIATIVES 2015-2016



Healthcare for under privileged - Mobile Dispensary, Ambulance & Medical equipments



Vocational Training Centre for girls - Computer and Tailoring



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

SML ISUZU LIMITED (FORMERLY SWARAJ MAZDA LIMITED)

BOARD OF DIRECTORS

S.K. TUTEJA - Chairman
P.K. NANDA
A.K. THAKUR
DR. VASANTHA S. BHARUCHA
SUDHIR NAYAR
M. NAKAJIMA
K. KUROKAWA
T. KIKKAWA
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 & ASSOCIATES LLP
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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32ND ANNUAL GENERAL MEETING

on Friday, 5th August, 2016
at 3.30 P.M. at Village Ason,
Distt. Shahid Bhagat Singh Nagar,
(Nawanshahr), Punjab - 144 533

REPORT OF THE DIRECTORS

The Directors are pleased to present their Thirty-Second Annual Report together with audited financial statements for the financial year ended 31st March 2016.

PERFORMANCE REVIEW

The Indian economy performed reasonably well in fiscal 2015-16 in the backdrop of uncertain and volatile global scenario. Led by favorable local macro-economic factors, GDP grew 7.6% during fiscal 2015-16 compared to 7.2% in 2014-15. Commercial Vehicle Industry registered growth of 12.2% to reach sales volume of 7,87,400 vehicles in the year - Light vehicles (LCV) grew 2.6% to reach 4,49,800 and Medium & Heavy vehicles (M&HCV) segment grew faster at 28.2% to reach 3,37,600. Your Company was also able to meet the higher demand and achieved sales of 12,700 vehicles during fiscal 2015-16 against 11,759 in the previous year.

The financial performance of the Company, for the year ended 31st March, 2016 is summarized below:

(Rs. in Crores)

	2016	2015
Sales volume (No. of vehicles)	12700	11759
Net revenue	1,172.58	1,114.34
Less : material cost & other expenses	1,079.54	1,040.00
Operating profit	93.04	74.34
Profit before tax	68.32	48.74
Profit after tax	51.16	36.94
Balance of profit from prior years	126.07	103.28
Surplus available for appropriation	177.23	140.22
Transfer to General Reserve	5.12	3.70
Proposed dividend (including tax)	13.93	10.45
Amount carried to Balance Sheet	158.19	126.07

DIVIDEND

The Directors have recommended payment of dividend of Rs. 8.0 per equity share of face value of Rs. 10/- each for the year ended 31st March, 2016 (previous year - Rs. 6.0 per equity share) amounting to Rs. 13.93 crores (previous year - Rs. 10.45 crores), including dividend distribution tax of Rs. 2.36 crores (previous year - Rs. 1.77 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 under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), 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 and the long term rating given for line of credit / cash credit limits is AA-, both reflecting its financial prudence.

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. The Directors review these areas every quarter 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. 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

The current year 2016-17 has begun on a happy note with April 2016 CV volumes growing 14.7% over corresponding month to reach 60,700 - M&HCVs up 21.0% and LCVs 10.4%. Your Company sold 1404 vehicles during April, 2016 against 876 sold in the same month last year.

CRISIL has forecast GDP growth at 7.9% for fiscal 2016-17 compared with 7.6% in fiscal 2015-16 based on expected improvement in private consumption supported by pick up in rural demand - assuming normal monsoon, lower prices of food and fuel as well as interest rates, push to public spending on infrastructure and revival of the private capex cycle. As for CV industry, experts estimate 10-12% growth in sales volume for fiscal 2016-17.

The Company is well prepared to meet the increased demand and the regulatory requirements, now imposed for vehicles, despite intensified competition. The Directors can, therefore, look to a reasonable volume growth and sales during the current fiscal.

Company's capex project envisaging an outlay of Rs. 220 crores for technology, product development and up-gradation of plant infrastructure to improve manufacturing efficiency is progressing well. An amount of Rs 32.9 crores has been spent till 31st March, 2016. This capex of Rs. 220 crores is envisaged to be funded from internal accruals and need based borrowings. The Board in its meeting held on 10th May, 2016 approved external commercial borrowings for an amount upto Rs 140 crores.

DIRECTORS

Mr. Kyoichiro Takashima tendered his resignation as Director of the Company with effect from 10th May, 2016. The Board, in its Meeting held on 10th May, 2016, recorded its deep appreciation for his valuable support and advice during his tenure.

Mr. Takeru Kikkawa was appointed as an Additional Director of the Company on 10th May, 2016 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. Kikkawa's appointment as a Director of the Company for consideration of the Members at the forthcoming Annual General Meeting.

At the last Annual General Meeting held in September 2015, the Members had approved the appointment of Mr. Masahiro Narikiyo and Mr. Kimitoshi Kurokawa as Non-Executive Directors.

Mr. Pankaj Bajaj retires by rotation and being eligible, offers himself for re-appointment.

Mr. Kei Katayama retires by rotation and being eligible, offers himself for re-appointment.

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

KEY MANAGERIAL PERSONNEL (KMPs)

In terms of the applicable provisions of the Companies Act 2013, Mr. Eiichi Seto, Managing Director & CEO, Mr. Gopal Bansal, Whole-time Director & CFO and Mr. Parvesh Madan, Company Secretary are the Key Managerial Personnel of the Company.

No KMP has resigned or was appointed during the year.

NOMINATION AND REMUNERATION POLICY

Based on the recommendations of the Nomination and 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 basis, in the ordinary course of business and in compliance with the applicable provisions of the Companies Act, 2013 ('the Act') and the Listing Regulations. There were no material transactions made by the Company during the year that would have required shareholders 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 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. The details of the related party transactions as per Accounting Standard 18 are set out in Note 32 to the Financial Statements.

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 which forms part of this report.

AUDIT COMMITTEE

The Audit Committee comprises three independent Directors, Mr. P.K. Nanda, as Chairman, Mr. A.K. Thakur and Mr. Sudhir Nayar, and the Whole-time director & CFO, Mr. Gopal Bansal. 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.

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. 5.12 crores to General Reserve for fiscal 2015-16 (Previous year - Rs. 3.70 cores).

MATERIAL CHANGES AND COMMITMENTS AFFECTING FINANCIAL POSITION OF THE COMPANY

No material changes have occurred or commitments made after 31st March, 2016, which may affect the financial position of the Company or require disclosure except the Board's approval, at its meeting held on 10th May, 2016, for raising external commercial borrowings for partial funding of capex as disclosed under para "Current Business Environment" of this report.

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 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 recommendation of RMC.

The Policy sets out key risk areas - 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

Corporate Social Responsibility (CSR) Committee consists of two independent Directors, namely, Mr. S.K.Tuteja, as Chairman and Dr. (Mrs.) Vasantha S. Bharucha and two executive Directors - Mr. Eiichi Seto, the Managing Director & CEO and Mr. Gopal Bansal, Whole-time Director & CFO. On the recommendation 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 under privileged children / girl child, sponsoring vocational education for women, etc.

Annual Report on CSR activities for the year ended 31st March 2016 is attached as **Annexure C**.

BOARD EVALUATION

Pursuant to the provisions of the Companies Act, 2013 and Listing Regulations, performance evaluation of the Board, the Directors as well as Committees of the Board 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 during the year which may impact the going concern status of the Company or its operations in future.

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 (the Act) 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 employees to report their concerns about unethical behaviour, actual or suspected fraud or violation of the Company's code of conduct or ethics policy. It provides for adequate safeguards against victimization of employees 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>.

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, 2016, 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, 2016 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;
- (d) they have prepared the annual accounts on a going concern basis;
- (e) 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;
- (f) they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

INTERNAL FINANCIAL CONTROLS WITH REFERENCE TO FINANCIAL STATEMENTS

Based on the work performed by the internal, statutory and secretarial auditors and the reviews performed by the Management and the relevant Board Committees, the Directors are of the opinion that the Company has in place, adequate internal financial controls with reference to financial statements, commensurate with the size and nature of the business of the Company. During the year, such controls were tested and no reportable material weaknesses in the design or operation were observed.