



CSR INITIATIVES 2017-2018 ...



Healthcare – Ambulances, Patient Trolleys and Wheel Chairs in Government Hospitals

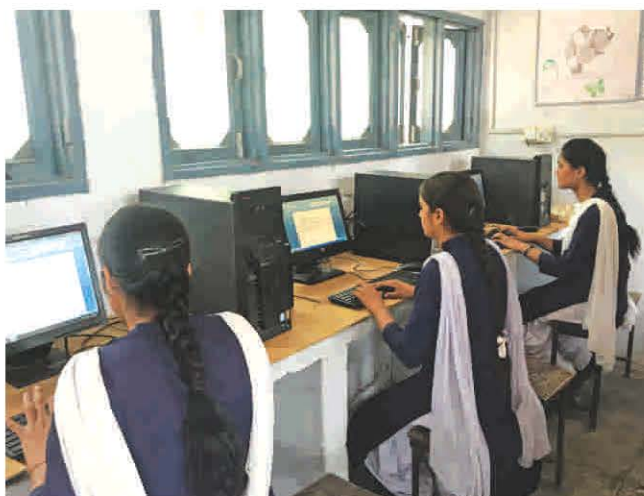


Education - School infrastructure up-gradation Projects :
Desks, Chairs, Fans, Water Purifiers and Toilets in village Schools

CSR INITIATIVES 2017-2018



Preventive Healthcare & Sanitation : Health Camps and Refuse Collector Bins provided for cleanliness



Vocational training Projects for girls



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
G. IWANAMI
K. GODA
T. KIKKAWA
M. MOROHOSHI
T. IMAI
PANKAJ BAJAJ
E. SETO - Managing Director & CEO
GOPAL BANSAL - Whole-time Director & CFO

COMPANY SECRETARY

PARVESH MADAN

AUDITORS

B S R & ASSOCIATES LLP

LISTING OF SHARES

BSE LIMITED
NATIONAL STOCK EXCHANGE
OF INDIA LIMITED

BANKERS

CANARA 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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34TH ANNUAL GENERAL MEETING

on Thursday, 9th August, 2018
at 3.00 P.M. at Village Asron,
Distt. Shahid Bhagat Singh Nagar,
(Nawanshahr), Punjab - 144 533

REPORT OF THE DIRECTORS

The Directors are pleased to present their Thirty-Fourth Annual Report together with audited financial statements for the financial year ended 31st March 2018.

PERFORMANCE REVIEW

The Indian economy witnessed a slow-down during fiscal 2017-18 due to persisting impact of demonetization, transitory disruptions caused by implementation of Goods and Service Tax (GST) and weak agricultural growth. GDP growth estimate of 6.6 percent for fiscal 2017-18 (7.1 percent achieved in fiscal 2016-17) has been the lowest since 2014-15. However, Commercial Vehicle Industry (all segments including exports) grew 15.9 percent to reach volume of 9,53,300 vehicles supported by Government's push towards infrastructure development, road construction & mining activities; an increased demand from consumption driven sectors as well as e-commerce logistics service providers; and strict implementation of overloading norms in some states. Light vehicles (LCVs) grew higher at 19.5 percent to reach 5,68,900 and Medium & Heavy vehicles (M&HCVs) grew 11.0 percent to reach 3,84,400.

The Company was unable to participate in that growth principally due to inadequate availability of vehicles for sale caused by the unexpected and sudden order of the Supreme Court of India on 29th March 2017 banning sale of BS III vehicles with effect from 1st April 2017. That order had rendered the entire inventory of BS III vehicles, built up for the ensuing school bus season of April-July 2017, non-saleable. All such vehicles had to be modified to make them BS IV compliant. In subsequent months, production of vehicles suffered on account of shortage of some critical components. Consequently, sales volume for the year could reach only 11355 against 14909 sold in the previous year.

The financial performance of the Company, for the year ended 31st March, 2018 is summarized below:

(Rs. in Crores)

Year ended 31st March	2018	2017
Sales volume (No. of vehicles)	11355	14909
Total Income	1177.25	1520.34
Less : Excise duty on sales	39.09	160.02
Net Income	1138.16	1360.32
Less : Material cost & other expenses	1089.78	1246.18
Operating profit	48.38	114.14
Profit before tax	9.46	84.14
Profit after tax	8.50	63.01
Balance of profit from prior years	215.31	172.52
Surplus available for appropriation	223.81	235.53

The Company has adopted Indian Accounting Standards (Ind-AS) with effect from 1st April, 2017 with the transition date of 1st April, 2016. Accordingly, financial statements for the year ended 31st March, 2018 have been prepared as prescribed for Ind-AS under Section 133 of the Companies Act, 2013 and the relevant rules. Previous year's figures have been restated to make them comparable.

DIVIDEND

The Directors have recommended payment of dividend of Rs. 1.5 per equity share of face value of Rs. 10/- each for the year ended 31st March, 2018 (previous year - Rs. 8.0 per equity share). The cash outflow on that account will be Rs. 2.62 crores (previous year - Rs. 13.93 crores), including dividend distribution tax of Rs. 0.45 crores (previous year - Rs. 2.36 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 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.

CREDIT RATING

The Company continues to enjoy the highest rating for short term borrowings of A1+ ('A one plus') from ICRA and the long term rating for line of credit / cash credit limits is AA ('double A').

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. Medical and occupational check-ups of employees 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.

The Company is certified as BS OHSAS 18001: 2007 in respect of Occupational Health & Safety Assessment Series and ISO 14001: 2015 in respect of Environmental Management System.

CURRENT BUSINESS ENVIRONMENT

Directors believe that demand for trucks during financial year 2018-19 will remain buoyant due to the increased thrust on infrastructure projects, growing demand from consumption-driven sectors & e-commerce logistic service providers, replacement led buying and generally improved economic scenario. In the passenger bus segment, replacement led buying, following a year of sharp contraction, and Government's focus on improving urban as well as rural transportation, etc. are expected to push volumes. Further, the Government's plan on phasing out of older diesel vehicles, at an advanced stage of formalization, is expected to generate additional demand both for trucks and buses.

Based on the above factors, during financial year 2018-19, M&HCV Truck segment is expected to register a growth of 4-6 percent and the LCV Truck segment is expected to grow 9-11 percent. Bus sales are expected to grow by 12-14 percent. However, competition is becoming increasingly intense with existing players continuously expanding their product portfolios.

Amidst such competitive environment and to meet ever changing regulatory requirements, the Company will continue its focus on customer reach, product development and up-gradation, innovative and cost effective technology solutions, up-gradation of manufacturing technology and cost cutting.

Company's capex project envisaging an outlay of Rs. 220 crores towards technological advancement, product up-gradation / development and up-gradation of plant infrastructure to improve manufacturing efficiency is in its final stages of completion. An amount of Rs 191.3 crores has been incurred till 31st March, 2018. For this capex spending, the Company has drawn Rs. 140.0 crores External Commercial Borrowings (ECB), designated in US Dollars (fully hedged), and the balance is from internal accruals.

DIRECTORS

Mr. Masaki Nakajima and Mr. Masahiro Narikiyo tendered their resignations as Directors of the Company with effect from 23rd March, 2018. The Board, in its Meeting held on 23rd March, 2018, recorded its deep appreciation for the valuable support and advice of the two gentlemen during their tenure.

The Board, on the recommendation of its Nomination and Remuneration Committee, appointed Mr. Gota Iwanami and Mr. Masaki Morohoshi as Additional Directors of the Company on 23rd March, 2018, who holds office until the ensuing Annual General Meeting of the Company.

Mr. Takahiro Imai, who was appointed by the Members as Whole-time Director designated as Director-R&D (Isuzu Products & Projects) at the last Annual General Meeting of the Company, resigned from his post with effect from 28th April, 2018. However, he continues to serve on the Board as a Non-Executive Director. The Board, at its Meeting held on 23rd May 2018, placed on record its deep appreciation for his valuable contribution to the Company as Director - R&D.

Mr. Eiichi Seto decided to demit office of Managing Director & CEO with effect from 10th August, 2018. However, he will continue as a Non-Executive Director on the Board of the Company. The Board, in its Meeting held on 23rd May, 2018, took note of his outstanding and inspirational leadership as Managing Director & CEO and recorded its deep appreciation for his valuable contributions to the Company and extended to him its best wishes for his future career.

The Board, at its Meeting held on 23rd May, 2018, was pleased to appoint, on the recommendation of its Nomination & Remuneration Committee, Mr. Yugo Hashimoto as Managing Director & CEO, in place of Mr. Eiichi Seto, w.e.f. 10th August, 2018, 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.

The Securities and Exchange Board of India ('SEBI') has amended SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 which mandates that, effective 1st April 2019, no listed entity shall appoint a person or continue the directorship of any person as a non-executive director who has attained the age of 75 years unless approval of shareholders has been obtained through a special resolution. Presently, Company's two Non-Executive Independent Directors namely - Mr. P.K. Nanda & Mr. A.K. Thakur have already attained age of 75 years. Therefore, Special Resolutions being proposed for approval by the Members at the ensuing Annual General Meeting for Mr. P.K. Nanda & Mr. A.K. Thakur to continue as Directors on the Board of the Company.

Mr. Takeru Kikkawa retires by rotation and being eligible, offers himself for re-appointment.

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

At the last Annual General Meeting, held in September 2017, the Members had approved the appointment of Mr. Kazuo Goda as Non-Executive Director.

The details of the Directors being recommended for appointment / re-appointment are contained in the Notice convening the forthcoming 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.

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 financial year ended on 31st March 2018. However, on 23rd May, 2018, Mr. Eiichi Seto decided to demit office of Managing Director & CEO w.e.f. 10th August 2018 and the Board has appointed Mr. Yugo Hashimoto as Managing Director & CEO with effect from 10th August 2018 subject to approval of the Members of the Company and Central Government, if required. On his appointment as Managing Director & CEO, he will be a KMP under the provisions of the Companies Act 2013.

NOMINATION AND REMUNERATION POLICY

Based on the recommendations of its 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 has no Subsidiary, Joint Venture or Associate Company.

RELATED PARTY TRANSACTIONS

All related party transactions that were entered into during the financial year were on 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 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 Ind-AS, are set out in Note 37 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 (1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, forms part of this Report is attached as **Annexure C**.

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. However, as per the provisions of Section 136 (1) of the Companies Act, 2013, the report and financial statements are being sent to the Members and others entitled thereto, excluding the aforesaid annexure. This annexure is available for inspection by the Members at the Registered Office of the Company during business hours on working days of the Company 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. 0.85 crores to General Reserve for the financial year 2017-18 (Previous year - Rs. 6.28 crores).

MATERIAL CHANGES AND COMMITMENTS AFFECTING FINANCIAL POSITION OF THE COMPANY

No material changes have occurred or commitments made after 31st March, 2018, 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 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), 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 girl child and under privileged children, sponsoring vocational education for women, etc.

Annual Report on CSR activities for the year ended 31st March 2018 is attached as **Annexure D**.

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.