

ANNUAL REPORT 2019



SML ISUZU LIMITED

CSR INITIATIVES 2018-2019...



Education - School infrastructure up-gradation Projects :
Chairs, Green Boards, LED TVs, Athletic Track, Maths Park and Toilets in village Schools



Healthcare - Ambulance and Medical Infrastructure in Government Hospitals

CSR INITIATIVES 2018-2019



Preventive Healthcare & Sanitation :
Health Camps and Hook Loader (Garbage Placer) & Dustbins 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
E. SETO
K. GODA
M. MOROHOSHI
PANKAJ BAJAJ
Y. HASHIMOTO - Managing Director & CEO
GOPAL BANSAL - Whole-time Director & CFO
T. YAMAMOTO - Director-Quality Assurance

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.
HDFC BANK

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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35TH ANNUAL GENERAL MEETING

on Monday, 30th September, 2019
at 1:00 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-Fifth Annual Report together with audited financial statements for the financial year ended 31st March 2019.

PERFORMANCE REVIEW

The fiscal 2018-19 turned out to be yet another challenging year for the Indian economy with GDP growth for the year coming down to 6.8 percent from 7.2 percent achieved in fiscal 2017-18. Rate of growth was impacted due to factors such as – slowdown in agriculture and mining activities, decline in Government consumption, tightened financial environment, sharp fluctuations in the Rupee etc.

Domestic Commercial Vehicle Industry (CVI) started fiscal 2018-19 on a strong note, which continued through the first half of the fiscal - registering a growth of 37.8 percent. However, the growth fell to 3.3 percent in the second-half of the year, due to several adverse factors such as - implementation of the regulatory changes in axle norms, sudden deterioration in availability of credit triggered by the crisis in the non banking financial sector, fleet operators viability concerns on account of factors such as subdued economic growth, freight availability and freight rates etc. As a result, for the year as a whole, the domestic CVI registered growth of 17.6 percent with volume of 10,07,300 vehicles. Light vehicles (LCVs) grew 19.5 percent to reach 6,16,600 and Medium & Heavy vehicles (M&HCVs) grew 14.7 percent to reach 3,90,800.

In fiscal 2018-19, Your Company was able to achieve higher sales, at 13,602 against 11,355 in the previous year – up 19.8 percent, helped by higher demand of Passenger category vehicles and the launch of the new truck range “Global Series” with best-in-class fuel efficiency, enhanced driver comfort and super drivability.

The financial performance of the Company, for the year ended 31st March, 2019 is summarized below:

(Rs. in Crores)

Year ended 31st March	2019	2018
Sales volume (No. of vehicles)	13602	11355
Total Income	1413.71	1177.25
Less : Excise duty	-	39.09
Net Income	1413.71	1138.16
Less : Material cost & other expenses	1334.84	1089.78
Operating profit	78.87	48.38
Finance Costs	16.10	10.52
Depreciation and amortization expense	38.44	28.40
Profit before tax	24.33	9.46
Profit after tax	19.57	8.50

DIVIDEND

The Directors recommend payment of dividend of Rs. 3.0 per equity share of face value of Rs. 10/- each for the year ended 31st March, 2019 (previous year – Rs. 1.5 per equity share). The cash outflow on that account will be Rs. 5.23 crores (previous year –Rs. 2.62 crores), including dividend distribution tax of Rs. 0.89 crores (previous year – Rs. 0.45 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 Auditor's Certificate 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 an effluent treatment plant and an incinerator; a sewage treatment plant ensures eco-friendly disposal of sewage.

The Company continues to maintain and uphold ISO 9001:2015 (Quality Management System), the BS OHSAS 18001:2007 (Occupational Health & Safety Assessment Series) and ISO 14001:2015 (Environmental Management System) certifications. Further, the Company is also certified as IATF 16949: 2016 in respect of automobile sector management system and ISO 27001:2013 in respect of Information Security Management System.

CURRENT BUSINESS ENVIRONMENT

The slowdown in the Commercial Vehicle industry, which started in the second-half of previous fiscal, further intensified during the first four months (April-July) of current fiscal with domestic CV volumes contracting 13.6 percent- M&HCVs down 21.6 percent and LCVs 8.6 percent. The reasons for such slowdown and the prevailing scenario are discussed in detail in the Management Discussion and Analysis, which forms part of this Report.

The Company sold 5,195 vehicles during four months April-July, 2019 period against 5,284 in the corresponding period of the previous year - a drop of 1.7 percent.

Amidst prevailing competitive environment and frequently changing regulatory requirements, the Company will continue its focus on customer reach, product development, innovative and cost effective technology solutions and improving production efficiency.

Company's capex project with an estimated outlay of Rs. 220 crores for technological advancement, product development and up-gradation, updating of plant infrastructure to improve manufacturing efficiency has been fully implemented with total spending of Rs. 195.7 crores. This capex was funded through external commercial borrowings (ECB) of Rs. 140.0 crores designated in US Dollars (fully hedged) and the balance from internal accruals.

DIRECTORS

Mr. Takeru Kikkawa and Mr. Takahiro Imai tendered their resignation as Directors of the Company with effect from 14th November, 2018. The Board, in its Meeting held on 14th November, 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. Tadanao Yamamoto as an Additional Director and Whole-time Director of the Company designated as Director-Quality Assurance on 14th November, 2018 (effective 30th November, 2018) for two years, subject to approval of the Shareholders of the Company in the ensuing Annual General Meeting.

The Board, on the recommendation of its Nomination and Remuneration Committee, re-appointed Mr. Gopal Bansal as Whole-time Director & Chief Financial Officer of the Company for a further period of two years with effect from 11th February, 2019, subject to approval of the Shareholders of the Company in the ensuing Annual General Meeting.

The Board, on the recommendation of its Nomination and Remuneration Committee, has proposed the re-appointment of Mr. S.K. Tuteja and Mr. Sudhir Nayar as Independent Directors of the Company for a second term of five consecutive years commencing from 22nd September, 2019 and Dr. (Mrs.) Vasantha S. Bharucha as Independent Director of the Company for a second term of three consecutive years commencing from 22nd September, 2019.

Mr. P.K. Nanda and Mr. A.K. Thakur, Independent Directors of the Company, whose current term completes on 21st September, 2019, do not wish to seek re-appointment for a second term due to personal reasons. Accordingly, their tenure as Director of the Company shall come to an end on 21st September, 2019. The Board, in its meeting held on 14th August, 2019, recorded its deep sense of appreciation for the valuable contributions made by Mr Nanda and Mr Thakur during their long association with the Company.

The Board, on the recommendation of its Nomination and Remuneration Committee, has appointed Mr. Chandra Shekhar Verma as an Additional Director (Non-Executive Independent Director) of the Company with effect from 22nd September, 2019 for five years, subject to approval of the Shareholders of the Company in the ensuing Annual General Meeting.

At the last Annual General Meeting held in August 2018, the Members had approved the appointment of Mr. Gota Iwanami and Mr. Masaki Morohoshi as Non-Executive Directors.

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

Mr. Kazuo Goda 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 of 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.

KEY MANAGERIAL PERSONNEL (KMPs)

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

At the last Annual General Meeting held in August 2018, Mr. Yugo Hashimoto was appointed as Managing Director & CEO of the Company w.e.f. 10th August, 2018. The Board has re-appointed Mr. Gopal Bansal as Whole-time Director & CFO of the Company for a further period of two years effective from 11th February, 2019.

NOMINATION AND REMUNERATION POLICY

During the year under review, the Company has amended the Nomination and Remuneration Policy (effective 1st April, 2019), in accordance with the amendments to Listing Regulations. The key amendment in the Policy being the change in the definition of Senior Management in line with the amendments to Listing Regulations. The Policy 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 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.

During the year, the Board has amended the Policy on Related Party Transactions to bring it in line with the amendments to Listing Regulations. The amended Policy 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.

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 available on the website of the Company at weblink http://smlisuzu.com/Upload/AgmNotice/42b9dd40_Final%20MGT-9.pdf and is also 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. Consequent upon the changes in the holding of office by certain Independent Directors w.e.f 22nd September, 2019, the Board has reconstituted the Audit Committee by inducting Mr. S.K. Tuteja as Chairman and Mr. Chandra Shekhar Verma as Member of the Committee in place of Mr P.K. Nanda and Mr. A.K. Thakur.

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. 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. However, the 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. 1.96 crores to General Reserve for the financial year 2018-19 (Previous year - Rs. 0.85 cores).

MATERIAL CHANGES AND COMMITMENTS AFFECTING FINANCIAL POSITION OF THE COMPANY

No material changes have occurred or commitments made after 31st March, 2019, 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), commodity price risks, foreign exchange fluctuation risks, legislative and regulatory risks, environmental risks (including natural disasters), operational risks (markets, production, technology, etc.), 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

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 Whole-time Directors - Mr. Yugo Hashimoto, the Managing Director & CEO (appointed w.e.f 10th August, 2018) and Mr. Gopal Bansal, Whole-time Director & CFO. 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/technical education etc.

Annual Report on CSR activities for the year ended 31st March 2019 is attached as **Annexure D**.

BOARD EVALUATION

Pursuant to the provisions of the Companies Act, 2013 and Listing Regulations, performance evaluation of the Directors, the Board 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.