



ANNUAL REPORT 2013

SML ISUZU LIMITED

SML ISUZU LIMITED (FORMERLY SWARAJ MAZDA LIMITED)

BOARD OF DIRECTORS

S.K. TUTEJA - Chairman
A.K. THAKUR
P.K. NANDA
SUDHIR NAYAR
E. SETO
K. OKIHIRO
PANKAJ BAJAJ
M. NAKAJIMA
Y. NIIJIMA
Y. KOSAKA - Director - R&D
Y. WATANABE - Managing Director & CEO

EXECUTIVE DIRECTOR - FINANCE & COMPANY SECRETARY

GOPAL BANSAL

AUDITORS	B S R & COMPANY
LISTING OF SHARES	BSE LIMITED THE NATIONAL STOCK EXCHANGE OF INDIA LTD.
BANKERS	CANARA BANK INDIAN OVERSEAS BANK MIZUHO CORPORATE BANK LTD.
REGISTERED OFFICE & WORKS	VILLAGE : ASRON, DISTT. SHAHID BHAGAT SINGH NAGAR (NAWANSHAHAR) PUNJAB-144 533
CORPORATE OFFICE	204-205, SECTOR 34-A, CHANDIGARH-160 135

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29TH ANNUAL GENERAL MEETING

on Saturday, 21st September, 2013
at 1.00 P.M. at Registered Office –
Village Asron, Distt. Shahid Bhagat Singh Nagar,
(Nawanshahar), Punjab - 144533.

IMPORTANT COMMUNICATION TO SHAREHOLDERS

The Ministry of Corporate Affairs ("MCA") has started "Green Initiative in Corporate Governance", which provides for paperless compliances by companies through electronic mode. In accordance with the MCA's circulars bearing No. 17/2011 dated 21st April, 2011 and 18/2011 dated 29th April 2011, companies now can send documents and other notices to shareholders through electronic mode. Further, SEBI has also amended Clause 32 of listing agreement to promote paperless compliances. Accordingly, we intent to send documents such as notices, Annual Report and other communication in electronic form. Please note that all such documents shall also be available on the Company's Website (www.smlisuzu.com) and shall also be kept open for inspection at the Registered Office of the Company during office hours. We seek your participation in this Green Initiative. If you wish to receive shareholders' communications through electronic mode please send your email ID to us at SCO 204-205, Sector 34-A, Chandigarh-160 135 or the same may be registered at our website www.smlisuzu.com in the Investor Section.

REPORT OF THE DIRECTORS

The Directors are pleased to present their Twenty Ninth Annual Report together with Audited Accounts for the financial year ended 31st March 2013.

PERFORMANCE REVIEW

The Directors had stated in the performance review last year that a slowdown in manufacturing seemed almost inevitable with the economic data that was emerging. In the event, the year under review saw a much deeper slowdown in the Indian economy with its consequential impact on the commercial vehicle industry. After an impressive performance over the period 2008-09 to 2011-12 with compounded annual growth of 28% and volume reaching 902,000 vehicles, the industry suffered a decline of 3.2% in the year under review. Unfortunately, the decline was even higher at 7.2% in the 5-12 ton GVW category in which the Company mainly operates - 118,100 vehicles from 127,300 in 2011-12. This magnitude of the drop has adversely impacted both revenue and profit even though several measures taken in anticipation of the downturn arrested a sharper decline in profits.

The financial performance of the Company, for the year ended 31st March, 2013 is summarized below:

(Rs. in Crores)

	2013	2012
Sales Volume (Nos.)	<u>12045</u>	<u>13646</u>
Net Revenue	1,011.06	1,042.22
Less : Material Cost & Other Expenses	931.78	956.19
Operating Profit	79.28	86.03
Profit Before Tax (before exceptional & prior period item)	48.49	64.96
Exceptional & prior period item	—	4.88
Profit After Tax	36.43	41.87
Balance of Profit from Prior years	73.45	49.22
Surplus available for appropriation	109.88	91.09
Transfer to General Reserve	3.64	4.19
Proposed Dividend (including tax)	13.54	13.45
Amount carried to Balance Sheet	92.70	73.45

DIVIDEND

The Directors have recommended payment of dividend @ 80% (Rs. 8.0 per share) for the Financial Year 2012-13, at the same level as the previous year.

MANAGEMENT DISCUSSION & ANALYSIS, CORPORATE GOVERNANCE

A Management Discussions & Analysis Report is annexed to this report. A report on Corporate Governance together with the Auditors' Certificate confirming compliance of Corporate Governance norms also forms part of this Annual Report.

INDUSTRIAL RELATIONS

Industrial Relations and work atmosphere remained cordial throughout the year. The Company has ensured sustained communication and engagement with workforce through various forms.

CREDIT RATING

The Company continues to have the highest rating, for short term borrowings, of A1+ from ICRA. Highest credit rating reflects the Company's strong financial discipline & prudence.

PARTICULARS OF EMPLOYEES

The Company had 5 employees who were in receipt of remuneration of not less than Rs.60,00,000 during the year ended 31st March, 2013 or not less than Rs. 5,00,000 per month during any part of the said year.

A statement of particulars pursuant to Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, forms part of this report. As per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report, together with Accounts, is being sent to the Shareholders of the Company, excluding the statement of particulars of employees under Section 217(2A) of the Act. Members desiring to have a copy of the same, may write to the Company Secretary at the Registered Office of the Company.

SAFETY, HEALTH AND ENVIRONMENT

The Company continues to demonstrate strong commitment to safety, health and environment. These aspects have been adopted as core organizational value of the Company.

Employees are continuously made aware of hazards / risks associated with their job and necessary training is imparted to them to update their knowledge and skill to meet any emergency situation.

The Company carries out statutory safety assurance and audits its facilities as per legal requirements. Regular medical and occupational check-up of employees are conducted and eco-friendly activities are promoted.

The Company has incinerator plant for safe disposal of hazardous waste and a sewage treatment plant ensures eco-friendly disposal of sewage.

CURRENT BUSINESS ENVIRONMENT

Your Directors feel that currently there are no signs of any major improvement in macro-economic indicators which may reverse, or even arrest the declining trend for the Commercial Vehicle industry. It continues to bear the brunt of lower cargo availability, reduced Government expenditure, restrictive measures on mining in some states and continuation of tight monetary regime. Industry performance during April-June, 2013 quarter has further suffered with a 10% volume drop compared with the corresponding period last year. Under such conditions, on a sale volume of 3195 (3257) vehicles, during this quarter, the Company recorded a net profit of Rs. 10.2 crores (Rs. 12.2 crores).

In the above background, despite certain policy announcements for improving the economy, the Directors do not foresee that markets for the Company's products will substantially increase. With efforts made in recent months to launch some improved products and further tightening of control over expenditure and cash resources, they hope that profitability will suffer the minimum effect. In these circumstances, it is given that the Company - and

indeed the whole commercial vehicle industry will face pressure on margins. Product development has continued so that some of these adverse effects are mitigated, particularly over the longer term.

DIRECTORS

The Board reports with great regret the sad demise on 3rd March of this year of Mr. Harkirat Singh, who was an independent Director of the Company since 1991. He had played a constructive role at the Board, which at its Meeting on 7th May, 2013, placed on record its deep appreciation of the invaluable counsel and services rendered by Mr. Harkirat Singh.

Mr. R.P. Sehgal, who joined the Company in 2004 as Executive Director-Works and was appointed a Whole-time Director in 2010, completed his tenure of three years on 31st May, 2013. His tenure was marked by his involvement in setting up new facilities for enhancing manufacturing capacity including the new bus body plant for state-of-the-art ultra luxury buses. The Board has placed on record its deep appreciation for the outstanding contribution and distinguished services rendered by him to the Company. Directors and all his colleagues in the Company wish him and his family all the best for the future.

Mr. Masao Tabuchi tendered his resignation as Director of the Company in April, 2013 on his appointment in a new position in his Company. While regrettably accepting his resignation, the Board, at its Meeting held on 7th May, 2013, placed on record its deep appreciation for his valuable guidance and advice during the period of his association with the Company.

Mr. Kenji Iida tendered his resignation as Director of the Company in April, 2013. The Board, at its Meeting held on 7th May, 2013, took note of the same and placed on record its deep appreciation for the valuable contributions made by him during the period of his association with the Company.

Mr. Masaki Nakajima was co-opted as a Director of the Company on 7th May, 2013 and holds office upto the forthcoming Annual General Meeting. The Company has received Notice u/s 257 of the Companies Act, 1956 proposing Mr. Nakajima's appointment as a Director of the Company for consideration of the members at the forthcoming Annual General Meeting.

Mr. Yasuyuki Nijima was co-opted as a Director of the Company on 7th May, 2013 and holds office upto the forthcoming Annual General Meeting. The Company has received Notice u/s 257 of the Companies Act, 1956 proposing Mr. Nijima's appointment as a Director of the Company for consideration of the members at the forthcoming Annual General Meeting.

Recognizing the need to strengthen Research and Development function of the Company much needed for the development of new products and upgrading the existing ones, the Board at its meeting held on 8th November, 2012 appointed, subject to Shareholders' approval, Mr. Yuji Kosaka, as Whole-time Director with effect from 8th November, 2012 for a period of two years, designated as Director-R&D. Mr. Kosaka worked with Isuzu Motors group for almost 43 years and has vast experience in the fields of Quality Control & Manufacturing Engineering. Appropriate resolution for Mr. Kosaka's appointment as Director of the Company has been proposed for the forthcoming Annual General Meeting.

Mr. Sudhir Nayar was co-opted as an additional Director of the Company on 6th August, 2013 and holds office upto the forthcoming Annual General Meeting of the Company. The Company has received Notice u/s 257 of the Companies Act, 1956 proposing Mr. Nayar's appointment as a Director of the Company for consideration of the members at the forthcoming Annual General Meeting.

Mr. E. Seto, Mr. P.K. Nanda and Mr. Pankaj Bajaj are the Directors retiring by rotation at the forthcoming Annual General Meeting.

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of provision of Section 217(2AA) of the Companies Act, 1956, it is hereby confirmed that :

- i) In the preparation of annual accounts, the applicable Accounting Standards have been followed along with proper explanations relating to material departures;
- ii) The Directors 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 at the end of the financial year and of the profit of the Company for the year under review;
- iii) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safe guarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) The Directors have prepared annual accounts on a 'going concern' basis.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION ETC.

A report required under the Companies (Disclosure of particulars in the Report of Directors) Rules, 1988 is annexed to this Report.

COST AUDIT

On the stipulation of the Central Government, Cost Audit of the Company for financial year 2012-13 is being conducted by Messers ABS & Associates, Cost Auditors.

AUDITORS

Observations made by the Auditors, when read with the relevant notes forming part of Accounts, are self-explanatory.

B S R & Company, Chartered Accountants, retires as Auditors of the Company and has given its consent for reappointment. As required under the provisions of Section 224(1B) of the Companies Act, 1956, the Company has received a written certificate from the above Auditors that their appointment, if made, would be in conformity with the limits specified in the said Section.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

Dated : 06 August 2013

S.K. TUTEJA
Chairman

Y. WATANABE
Managing Director & CEO

MANAGEMENT DISCUSSION AND ANALYSIS

1. INDUSTRY REVIEW

After cumulative growth of 28% in the three years to 2011-12, in fiscal 2012-13, Commercial Vehicle (CV) Industry suffered a fall in sales of 3.2 % from the earlier year to 8,73,000, with the passenger segment down from 1,12,300 to 1,05,300 vehicles and truck volume down from 7,89,700 to 7,67,700. The only growth segment was sub-5.0 ton GVW with increase of 13%. The 5.0 ton to 12.0 ton GVW category, in which the Company mainly operates, accounted for 1,18,100, a 7.2% decline from 1,27,200 vehicles in 2011-12 reflecting general economic downtrend, particularly in industrial and construction activity.

2. COMPANY PERFORMANCE

The Company sold 12,045 vehicles during fiscal 2012-13 against previous year sale of 13,646 vehicles. Together with sale of spare parts, Net Revenue for 2012-13 was Rs.1011.1 crores (Rs. 1042.2 crores), as detailed below:

	(Rs. In Crores)	
	<u>2012-13</u>	<u>2011-12</u>
On sale of Vehicles	919.75	968.07
On sale of Spare Parts etc.	91.31	74.15
Total Net Revenue	<u>1,011.06</u>	<u>1,042.22</u>

Material cost at 75.4% of net revenue is lower against previous year's 76.0% due to higher realization per vehicle and favorable product mix.

Employee Cost at Rs. 80.9 crores (Rs. 67.9 crores) represented 8.0% (6.5%) of net revenue. The increase mainly on account of some additional hirings and inflation related increases.

Marketing costs at Rs. 56.0 crores (Rs. 66.6 crores) reflected the drop in sales volume, but other operating & administrative expenses were at Rs. 32.8 crores (Rs. 29.8 crores) - 3.2% against 2.9%, largely because of their fixed nature and relatively longer term commitments.

Interest cost (net) for 2012-13 at Rs. 12.8 crores is higher than previous year's Rs. 6.5 crores on account of increased borrowings necessitated due to higher levels of finished goods inventory and trade receivables caused by adverse market conditions. Management actions are now focused on reducing inventories and receivables both to bring down borrowings and interest cost as well as to further improve use of financial resources.

Depreciation charge for the year was Rs. 12.2 crores (Rs. 10.4 crores), the increase largely because of full year impact of assets installed during previous year and some assets installed during the year.

Operating Profit was at Rs. 79.3 crores (Rs. 86.0 crores) and Profit Before Tax was at Rs. 48.5 crores (Rs. 65.0 crores), the decline principally because of a substantial fall in sales volume.

Profit after tax at Rs. 36.4 crores (Rs. 41.9 crores) translates to an earning of Rs. 25.18 per share (Rs. 28.93 per share).

Outgo on dividend account inclusive of tax at Rs. 13.5 crores would translate to a payout ratio of 37.2 % (32.1%).

Net worth of the Company as on 31st March, 2013 rose to Rs. 264.1 crores (Rs. 241.2 crores) comprising of equity component of Rs. 14.5 crores (Rs. 14.5 crores) and reserves Rs. 249.6 crores (Rs. 226.7 crores).

Year-end borrowings from banks were higher at Rs. 162.1 crores (Rs. 100.0 crores) on account of increased level of net current assets.

Year-end trade receivables were at Rs. 150.7 crores (Rs. 121.0 crores) and trade payables were Rs. 111.6 crores (Rs. 163.4 crores).

Fixed assets (net) stood at Rs. 139.3 crores (Rs. 135.0 crores).

3. INTERNAL CONTROL SYSTEM AND ADEQUACY

The Company conducts its affairs within the framework of well-defined business plans which have provided appropriate guidance and direction to its employees. Annual Business Plan (ABP) for each fiscal year is formulated on the basis of well-defined processes and is approved by the Board of Directors. Finance & Accounts function is adequately staffed by professionally qualified and experienced personnel. The reporting and monitoring system is elaborate and the same is reviewed at the meetings of the Audit committee and the Board while considering quarterly business performance. Policies and procedures have been laid down to provide reasonable assurance that assets are safeguarded from risks of un-authorized use/disposition and transactions are recorded and reported with propriety, accuracy and speed. These aspects of operations are regularly reviewed and verified by Company's Internal Audit department and by the Company's Statutory Auditors. Significant observations of these Auditors are subsequently submitted to the Audit Committee of the Board for consideration and guidance.

4. HUMAN RESOURCES

The Company has always strived to attract the best talent, provide invigorative work environment, retain achievers and out-performers and inculcate in the employees loyalty for the organization. Raising employees' involvement in the decision making process and grooming them for leadership positions has been an ongoing process.

5. BUSINESS RISKS AND CONCERNS

Demand for commercial vehicles is dependent upon overall economic activity, infrastructure development and smooth availability of retail finance for trade transport. India is heavily reliant on imported oil, thus global oil prices and exchange rate volatility have a bearing on transport sector. Performance of Railways and movement in freight rates are also key factors that have a bearing on demand for cargo carriers.

Higher emission standards under Bharat Stage IV norms have become applicable in 20 cities, some more likely to be added during this year and its applicability throughout India is under discussion in the Government.

Since steel, steel-based components and other materials represent 80% of input costs, abnormal rise in steel prices and extra burden from new emission norms would lead to higher production cost which may not be fully neutralized by revision in selling prices in view of intensely competitive operating environment.

Technical alliance with Isuzu Motors, upgradation of R&D centre, and establishment of new manufacturing facilities that include bus body fabrication, up-gradation of existing facilities and cost cutting are some of the major initiatives and concrete steps taken by the Company to minimize its vulnerability to business risks.

6. CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis Report describing the Company's objectives, projections, estimates and expectations may constitute "forward looking statements" within the meaning of applicable laws and regulations. Actual results might differ materially from those either expressed or implied.

CORPORATE GOVERNANCE REPORT

SML Isuzu Limited (SML) practices a culture built on the principles of good corporate governance, disclosure and transparency in all its activities and processes. SML gives high priority to core values and ethics. SML believes that for a Company to be successful, it must consider itself the custodian and trustee of all its stake-holders. SML seeks corporate excellence and profits by offering quality vehicles and service to its esteemed customers. SML fosters team spirit amongst employees by continuously raising their involvement & participation in decision making. SML places high emphasis on integrity and lifetime loyalty to the Company. SML recognizes that it is rewarding to be a better managed enterprise and focuses on good corporate governance.

BOARD OF DIRECTORS

The composition of the Board is in conformity with Clause 49 of the Listing Agreement, as amended from time to time. As at 31st March, 2013, the Board has strength of 11 Directors; eight being Non executive Directors. Till 3rd March, 2013 (Mr. Harkirat Singh expired), there were four independent Directors. On 6th August, 2013, Mr. Sudhir Nayar joined the Board as Independent Director in place of Mr. Harkirat Singh. Four Non-executive Directors belong to the promoter group but are professional executives ; one Non-Executive Director is a senior executive with Isuzu Motors, Japan. All the Non-executive Directors are highly qualified, possess vast knowledge and professional expertise in administration, accounts, finance, management, banking, insurance and other allied corporate disciplines. They bring independent judgement to the Board's deliberations and decision making. None of the Non-executive Directors has any material pecuniary relationship with the Company, which in their judgement would affect their independence. None of the Directors of the Company are inter-se related to each other.

The Managing Director & CEO, though in his individual capacity is a professional Director, belongs to the Company's Promoter group. The other Whole-time Directors designated as Director-Works and Director-R&D too, in their individual capacity are professional Directors.

The Board periodically reviews and approves overall strategy, gives guidelines, directions and oversees the functioning of the Management to ensure that the core values and objectives of the Company are met.

A. Composition of the Board

The Company's Board of Directors currently comprises Eleven members. While five members are Non Independent Non-Executive Directors, two Whole-time Directors are the Executive Directors of the Company and remaining four (including the Chairman) are Independent Directors.

B. Board Procedure

The Board meets at Regular intervals and a detailed Agenda is sent to each Director prior to Board and Committee Meetings. To enable the Board to discharge its responsibilities effectively, the Board is appraised at every Meeting regarding the overall performance of the Company. The Board also inter alia reviews strategy and business plans, annual operating and capital expenditure budgets, investment and exposure limits, compliance reports of all laws applicable to the Company as well as steps taken by the Company to rectify instances of non-compliances, adoption of quarterly/half-yearly/annual results, significant labour issues and Minutes of Meetings of the Audit and other Committees of the Board.

During the financial year 2012-13 four meetings of the Board of Directors were held on 25th May, 2012, 11th August, 2012, 8th November, 2012 and 14th February, 2013.

The 28th Annual General Meeting (AGM) was held on 18th July, 2012.

The information on Composition of the Board, number of Board Meetings, attendance of the Directors at the Board Meetings/ Annual general Meeting and also the number of other Directorships and Committee Memberships/ Chairmanship as on 31st March, 2013 is given below :

:

Name of Director	Category	Financial Year 2012-13		Attendance at the last AGM	Number of Directorships in other Public Companies incorporated in India*	Committee+ Position held in other Companies	
		Board Meetings Held	Board Meetings Attended			**C	#M
Mr. S.K. Tuteja (Chairman)	Non executive Independent	4	4	Yes	14	4	4
Mr. Harkirat Singh (ceased w.e.f. 3 March 2013)	Non executive Independent	4	3	No	Nil	Nil	Nil
Mr. Ashish Kumar Thakur	Non executive Independent	4	4	Yes	2	Nil	2
Mr. Pramod Kumar Nanda	Non executive Independent	4	4	Yes	1	Nil	1
Mr. Pankaj Bajaj	Non executive	4	4	No	Nil	Nil	Nil
Mr. Katsuya Okihira	Non executive	4	3	No	Nil	Nil	Nil
Mr. Eiichi Seto	Non executive	4	4	Yes	Nil	Nil	Nil
Mr. Kenji Iida (appointed w.e.f. 25 May 2012 and ceased w.e.f. 7 May 2013)	Non executive	3	3	Yes	Nil	Nil	Nil
Mr. Yuji Kosaka (appointed w.e.f. 08 Nov. 2012)	Executive	1	1	NA	Nil	Nil	Nil
Mr. Yutaka Watanabe (Managing Director & CEO)	Executive	4	4	Yes	Nil	Nil	Nil
Mr. Masao Tabuchi (ceased w.e.f. 7 May 2013)	Non executive	4	2	No	Nil	Nil	Nil
Mr. Ram Prakash Sehgal Director-Works (ceased w.e.f. 1 June 2013)	Executive	4	4	Yes	Nil	Nil	Nil
Mr. Masahiro Maruyama (ceased w.e.f. 7 May 2013)	Alternate to Mr. Masao Tabuchi	4	Nil	No	Nil	Nil	Nil
Mr. Taro Nanko	Alternate to Mr. Eiichi Seto	4	Nil	No	1	Nil	Nil
Additional directors appointed after 31 March 2013							
Mr. Masaki Nakajima (appointed as additional Director w.e.f. 7 May 2013)	Non executive	NA	NA	NA	NA	NA	NA
Mr. Yasuyuki Nijima (appointed as additional Director w.e.f. 07 May 2013)	Non executive	NA	NA	NA	NA	NA	NA
Mr. Sudhir Nayar (appointed as independent Director w.e.f. 6 August 2013)	Non executive Independent	NA	NA	NA	NA	NA	NA

* Excluding foreign company and companies registered under Section 25 of the Companies Act, 1956.

** C : Chairman

M : Member

NA : Not Applicable

+ Committees considered are Audit Committee and Shareholder/Investor Relations Committee.

- None of the Directors on the Board is a member of more than 10 committees or Chairman of more than 5 Committees (as specified in Clause 49), across all the companies in which he is a Director.
- The Senior Management has made disclosures to the Board confirming that there are no material, financial and/or commercial transactions between them and the Company which would have potential conflict of interest with the Company at large.
- Mr. Ram Prakash Sehgal holds 100 shares in the Company as at 31-03-2013 and no other director holds any shares in the Company.

C. Code of Conduct

The Company's Board has laid down a well-defined Code of Ethics & Conduct (the "Code") to be followed by Board Members and employees of the Company for ethical professional conduct. The Code is available on the website of the Company (www.smlisuzu.com). All Board Members and Senior Management Personnel have affirmed compliance with this Code. A declaration signed by the Whole-time Director to this effect is enclosed to this report.

D. CEO/CFO Certification

As required under Clause 49 of the Listing Agreement with Stock Exchanges, the Managing Director & CEO and Executive Director-Finance & Company Secretary of the Company have certified to the Board regarding Financial Statements for the year ended 31st March, 2013.

E. Risk Management

Business Risk Evaluation and Management is an outgoing process within the Company. For each function, the impact and probability of various risks are made and necessary control measures are identified to mitigate these risks, thereby reducing the impact and probability of the risk. During the year under review also, a detailed exercise on "Risk Assessment" related to Company's main functional areas was carried out and the Board was appraised on the risk assessment and mitigation process followed by the Company.

COMMITTEES OF THE BOARD

(a) Audit Committee

The Audit Committee of the Board comprised two Non-Executive and independent Directors as at 31st March, 2013 namely Mr. S.K. Tuteja, Chairman and Mr. Ashish Kumar Thakur. Mr. Harkirat Singh (Non-Executive and Independent Director) also served as the member of the audit committee throughout the year and since he expired on 3rd March, 2013, ceased to be member of the Committee. The Audit Committee of the Board was reconstituted on 7th May, 2013 to include Mr. S.K. Tuteja, Chairman, Mr. Pramod Kumar Nanda and Mr. Ashish Kumar Thakur as Members. All the Members of the committee possess vast experience in and knowledge of Corporate Affairs & Finance. The quorum of the committee is two Members. The Company Secretary is the secretary to the Committee.

The terms of reference of the Audit Committee include the matters specified under Clause 49 II of the Listing Agreement as amended from time to time entered into with Stock Exchanges as well as those specified in section 292 A of the Companies Act 1956, as amended from time to time and inter-alia, includes the following:-

- Overseeing the Company's financial reporting process and disclosure of Financial information to ensure that the Financial Statements are correct, sufficient and credible;
- Recommending to the Board, the appointment, re-appointment and if required, the replacement of the Statutory Auditors and fixation of their remuneration.
- Reviewing with management the Annual Financial Statements before submission to the Board;
- Reviewing with management and External & Internal Auditors, the adequacy of internal control systems;
- Reviewing the adequacy of Internal Audit function;

- Discussing with Internal Auditors and Statutory Auditors any significant finding and follow up on such issues;
- Reviewing the findings of any internal investigations by the Internal Auditors in matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and then reporting such matters to the Board;
- Discussing with Statutory Auditors the nature and scope of audit, as well as any area of concern;
- Reviewing the Company's financial and risk management policies

At the meeting of the Audit Committee of the Board, Senior Management is invited to participate in the deliberations along with Internal Auditors. Statutory Auditors also attend these meetings and offer their observations on the operations.

During the Financial Year under review, 4 meetings of the Audit Committee of the Board were held on 24th May, 2012, 11th August, 2012, 7th November, 2012 and 13th February, 2013. The gap between two meetings did not exceed four months. The Chairman of the Audit Committee was present at the Annual General Meeting held on 18th July, 2012

The Audit Committee of the Board also met on 6th May, 2013 prior to the finalization of the Accounts for the Financial Year ended 31st March, 2013.

The details of attendance of the members of the Audit Committee is as under :

Name of the Member Director	No. of Meetings held	No. of Meetings attended
Mr. S.K.Tuteja, Chairman	4	4
Mr. Harkirat Singh	4	4
Mr. A.K. Thakur	4	4

(b) Shareholder / Investor Relations Committee

This Committee meets at frequent intervals, to approve inter-alia, transfer / transmission of shares, issue of duplicate share certificates and review status of investors' grievances and the functioning of Company's Registrar and Transfer Agents to render effective and quality services to investors.

The Shareholder / Investor Relations Committee of the Board comprises of two Directors as at 31st March, 2013 with Mr. S.K.Tuteja as Chairman and Mr. Yutaka Watanabe as Member Director. Mr. Harkirat Singh (Non-Executive and Independent Director) also served as the member of the committee throughout the year and since he expired on 3rd March, 2013, ceased to be member of the Committee. The shareholder/Investor Relations Committee was reconstituted on 7th May, 2013 to include Mr. S. K. Tuteja as Chairman, Mr. Yutaka Watanabe and Mr. Yuji Kosaka as Members. The quorum of the meeting is two members.

Mr. Gopal Bansal, Executive Director-Finance & Company Secretary, is the Compliance Officer of the Company.

The Company received 161 enquiries/complaints/requests from shareholders and 5 complaints from Stock Exchanges / SEBI / Department of Company Affairs / Registrar of Companies which inter-alia include non-receipt of dividend, annual report, transfer of shares etc. The complaints were duly attended to and the Company has furnished necessary documents / information to the shareholders.

As of date, there are no shares pending for transfer received during the year under review.

During the financial year ended 31st March, 2013, 19 meetings of the committee were held.

(c) Executive Committee

The Executive Committee of the Board comprised three Directors as at 31st March, 2013 namely Mr. S.K.Tuteja, Mr. Yutaka Watanabe and Mr. Ram Prakash Sehgal and two Company's executives namely; Mr. Gopal Bansal, Executive Director-Finance & Company Secretary and Mr. K.B.Prasad, Senior Vice President-Marketing.

Mr. S.K.Tuteja is the Chairman of Executive Committee.

This Committee had been set up by the Board to periodically monitor the transition, Capex and performance of the Company and matters connected with Divisional heads.

During the year five meetings were held on 26th April, 2012, 6th July, 2012, 10th September, 2012, 16th January, 2013 and 5th March, 2013 .

(d) Remuneration Committee

This Committee comprised Mr. S.K.Tuteja, Chairman, Mr. Pramod Kumar Nanda and Mr. Masao Tabuchi as at 31st March, 2013. All the Members of the Remuneration Committee of the Board are Non-Executive Directors. The Remuneration Committee was reconstituted on 7th May, 2013 to include Mr. S. K. Tuteja as Chairman, Mr. Pramod Kumar Nanda and Mr. Masaki Nakajima as Members.

This Committee had been set up by the Board to review, assess and recommend to the Board the compensation package for the Whole-time Director(s).

During the year one meeting was held on 8th November, 2012.

Remuneration of Directors

Remuneration paid to Whole-time Directors is decided by the Board of Directors on the recommendation of the Remuneration Committee and approved by the shareholders at the Annual General Meeting. Non-Executive Independent Directors are paid sitting fee of Rs.20,000/- per meeting for attending the meetings of the Board of Directors and committees thereof within the prescribed limits as decided by the Board and reimbursement of expenses incurred for attending the Board and Committee Meetings.

From the Financial year 2011-12, the Board has also approved the payment of commission to Non-Executive Independent Directors upto a maximum of Rs.6,00,000/- individually as approved by the Board of Directors subject to approval of shareholders in Annual General Meeting.

At the Annual General Meeting held on 18th July, 2012, the shareholders, while approving Directors commission for Financial Year 2011-12, had also approved payment of commission to Independent Directors for a further period of 4 years starting from Financial Year 2012-13 and authorized the Board to decide the amount of commission every year within the limits prescribed under Companies Act, 1956.

Following are the details of Directors remuneration paid during 2012-13.

Whole-time Directors

(Amount in Rs.)

Name of Director	Salary (Basic & DA)	Commission	Contribution to Provident & other Funds	Other Perquisites	Stock Option	Total	Service Contract (Tenure)
Y.Watanabe <i>Managing Director & CEO</i>	48,00,000	48,00,000	5,76,000	18,27,352	-	1,20,03,352	Upto 31.05.2016
Yuji Kosaka* <i>Director - R&D</i>	18,11,333	-	2,17,360	4,78,200	-	25,06,893	Upto 07.11.2014
R.P.Sehgal <i>Director - Works</i>	48,00,000	48,00,000	5,76,000	18,46,324	-	1,20,22,324	Ceased w.e.f. 01.06.2013

* appointed on 8th November, 2012

Non-Executive Director

Name of Director	Sitting Fees (Rs.)	Commission (Rs.)
<i>Mr. S.K. Tuteja</i>	6,60,000	6,00,000
<i>Mr. Harkirat Singh</i>	2,20,000	6,00,000
<i>Mr. A.K.Thakur</i>	1,60,000	6,00,000
<i>Mr. P.K.Nanda</i>	1,00,000	6,00,000

DISCLOSURES

1. Details of General Meetings

Details of last three Annual General Meetings of the Company are given below:

Financial Year	Date	Time	Venue	Special Resolution(s) passed
2009-10	30 th September, 2010	1:00 PM	Registered Office Village Asron, Distt. Shahid Bhagat Singh Nagar (Nawanshahar), Punjab	Nil
2010-11	6 th August, 2011	1:00 PM	Registered Office Village Asron, Distt. Shahid Bhagat Singh Nagar (Nawanshahar), Punjab	Nil
2011-12	18 th July, 2012	1:00 PM	Registered Office Village Asron, Distt. Shahid Bhagat Singh Nagar (Nawanshahar), Punjab	To approve payment of Commission to Independent Directors

Pursuant to the provisions of Section 192A of the Companies Act, 1956, there was no matter required to be dealt by the Company to be passed through postal ballot.

2. Transactions with related parties

The Company has not entered into any transaction of material nature with the promoters, the Directors or the management that may have any potential conflict with the interest of the Company. The Company has no subsidiary. Details of related parties and transaction with them are furnished under Note 32 of the Financial Statements for the year ended 31st March, 2013.

3. Accounting Treatment

In preparation of the Financial Statements, the Company has followed the Accounting Standards issued by The Institute of Chartered Accountants of India. The significant accounting policies which are consistently applied are set out under Note 3 of the Financial statements for the year ended 31st March, 2013.

4. Application of the proceeds from the Rights Issue.

During the FY 2009-10, Company raised Rs.7,969.89 lacs through issue of 39,84,946 equity shares of Rs.10/- each at a premium of Rs. 190 per share to the shareholders of the Company on Rights basis. The net proceeds of the Rights Issue after deducting Rights Issue expenses of Rs. 118.52 lacs were to be utilized in terms of Letter of Offer dated 24th February, 2010.

As on 31st March, 2013 actual utilisation of Rights Issue funds has been :

(Rupees in lacs)		
Particulars	As per Letter of Offer	As on 31 st March, 2013
<i>Financing the Expansion Project</i>	<i>1,800.00*</i>	<i>1,299.97*</i>
<i>Repayment of Loan taken from Allahabad Bank in relation to the Expansion Project</i>	<i>5,000.00</i>	<i>5,000.00</i>
<i>General Corporate purposes</i>	<i>1,051.37</i>	<i>1,051.37</i>

* Out of Rs. 1,800 lakhs earmarked for financing the expansion project, Rs. 1,299.97 lakhs was utilized till 31st March 2013 as per terms of the Letter of Offer and subsequent shareholder's approval. As regards balance amount of Rs. 500.03 lakhs, shareholders have given their consent at Extraordinary General Meeting held on 28th March, 2013 for its utilization towards general corporate purposes including but not restricted to meeting working capital requirements which was transferred to Company's running bank account and utilized for general corporate purposes.

5. Code for prevention of Insider Practices

In compliance with SEBI's Regulations on prevention of insider trading, the Company has instituted a comprehensive Code of Conduct for prevention of insider trading. The code lays down guidelines and procedures to be followed and disclosures to be made, while dealing with shares of the Company and cautioning all concerned of the consequences of violations.

6. Details of non-compliance

There has neither been any non-compliance of any legal provision of applicable law nor any penalty, stricture imposed by the Stock Exchanges or SEBI or any other authorities, on any matters related to capital market during the last three years.

7. Means of Communication

In compliance with the requirements of Listing Agreement, the un-audited/audited financial results are filed with the Stock Exchanges immediately after they are taken on record by the Board, published in Newspapers and are also displayed on the website of the Company (www.smlisuzu.com).

- a) Results are not sent individually to the shareholders;
- b) The official news releases are displayed on the Company's website;
- c) During the year ended 31st March, 2013, no presentations were made to institutional investors or analysts.

8. Management Discussion and Analysis Report

Management Discussion and Analysis Report has been attached to Director's Report and forms part of this Annual Report.

9. Compliance with Mandatory Requirements

The Company has complied with the mandatory requirement of the Code of Corporate Governance as stipulated under clause 49 of the listing agreement with the Stock Exchanges.

10. Adoption of non-mandatory requirements**i) The Board**

The Company does not maintain the office of the non-executive Chairman.

No specific tenure has been specified for the Independent Directors.

ii) Remuneration Committee

The Company has set up a Remuneration Committee to review, assess and recommend to the Board the compensation package for the Whole-time Director(s).

iii) Shareholder Rights

Company regularly publishes its quarterly results in the leading national / regional newspapers as per clause 41 of the listing agreement. These results are also available on Company's website (www.smlisuzu.com).

iv) Audit Qualifications

During the financial year under review, there is no audit qualification in Company's financial statements. The Company continues to adopt best practices to ensure regime of unqualified financial statements.

v) Training of Board Members / Mechanism for evaluating Non-Executive Board Members.

All non-executive Directors are given presentations by Whole-time Director / Management Team from time to time for an overview of Company operations. The Company's Board of Directors consists of professionals with expertise in their respective fields and industry. They endeavour to keep themselves updated with the trends in economy & industry and changes in the applicable legislations.

vi) Whistle Blower Policy

Company follows the policy of encouraging the employees and business associates to raise their concerns relating to any unethical business practice at work place with protection against victimization and for this they can approach the Chairman, Audit Committee at sktuteja@smlisuzu.com

11. Compliance with the Corporate Governance- Voluntary Guidelines 2009

In December, 2009, the Government of India, Ministry of Corporate Affairs ("MCA") had issued Corporate Governance Voluntary Guidelines 2009. MCA has clarified that the Guidelines were prepared and disseminated for consideration and adoption by Corporates and may be voluntarily adopted by public companies with the objective to enhance not only the economic value of the enterprise but also the value of every stakeholder who has contributed in the success of the enterprise and to set a global benchmark for good Corporate Governance.

The Company has been a strong believer in good corporate governance and has been adopting the best practices that have evolved over the last two decades.

The Company is in substantial compliance with the requirements of the voluntary guidelines and it will always be the Company's endeavor to attain the best practices in corporate governance.

SHAREHOLDERS' INFORMATION

1. **Annual General Meeting**

Date	:	21st September, 2013 (Saturday)
Time	:	1:00 P.M.
Venue	:	SML Isuzu Limited Village Asron, Distt. Shahid Bhagat Singh Nagar, (Nawanshahar), Punjab
2. **Financial Calendar (tentative)**

Financial reporting for	
Quarter ended 30 th June, 2013	Taken on record on 6 th August, 2013
Quarter ending 30 th Sept., 2013	1 st / 2 nd week of November, 2013
Quarter ending 31 st Dec, 2013	1 st / 2 nd week of February, 2014
Year ending 31 st March, 2014	May/June, 2014
3. Book Closure : 31st August, 2013 to 6th September, 2013(both days inclusive)
4. Dividend Payment : On or after 21st September, 2013, but with in the statutory time limit.
5. Listing on Stock Exchanges : BSE Limited (BSE) & The National Stock Exchange of India Limited (NSE). Listing fee for 2013-14 for both these stock exchanges has been paid.

6. Stock Market Data

Month wise high and low price for one equity share of Rs.10 at BSE & NSE is given below:

Month	BSE Limited (BSE)		The National Stock Exchange of India Limited (NSE)	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
2012				
April	470	379	471	380
May	430	385	450	331
June	410	378	407	381
July	401	370	403	355
August	413	369	410	366
September	400	360	400	379
October	479	385	519	384
November	485	443	485	416
December	501	440	489	438
2013				
January	495	408	500	395
February	447	317	420	320
March	358	280	372	239
April	328	292	325	277
May	355	300	355	282
June	313	267	308	262
July	302	250	325	250

7. **Stock Code** : BSE - 505192 & NSE - SMLISUZU

8. **Dematerialisation of Shares:**

The Securities & Exchange Board of India (SEBI), with effect from 28th August, 2000 has included the shares of SML Isuzu Limited in the compulsory demat list for all categories of investors. The Company has joined National Securities Depository Limited (NSDL) and Central Depository Services (India) Ltd. (CDSL) to avail this facility. On date, over 96% of the company's shares are now held in electronic form.

International Securities Identification Number: INE294B01019 (with NSDL and CDSL)

For Shares held in electronic form, all instructions regarding change of address, nomination, power of attorney etc., should be given directly to their Depository Participants and the Company will not entertain any such requests directly from the shareholders.

9. **Transfer System for physical shares**

Share transfer would be registered & returned within a period of 30 days from the date of receipt, if the documents are clear in all respect.

Total No. of shares transferred during 2012-13 was 7885 (Previous Year 8871)

Income Tax PAN is mandatory for Transfer / Transmission / Deletion / Transposition of securities held in physical form.

The Securities and Exchange Board of India (SEBI) vide its Circular Nos. MRD/DOP/Cir-05/2009 dated 20th May, 2009 and SEBI/MRD/DOP/SE/RTA/Cir-03/2010 dated 7th January, 2010 has made it mandatory to furnish a copy of Income

Tax PAN Card to the Company / the Registrar and Share Transfer Agent for Transfer / Transmission / Deletion / Transposition of securities held in physical form.

10. Share Transfer & other Communication : SML Isuzu Limited OR M/s MCS Limited
regarding Share Certificate, Dividends Sri Venkatesh Bhawan,
and change of address etc. may be F - 65, Okhla Industrial Area,
addressed to Chandigarh- 160 135 Phase - I, New Delhi - 110 020
Tele: 0172-2647700-10, Tele: 011-41404149
Fax: 0172-2615111 Fax: 011- 41709881
Email : admin@mcsdel.com

11. Shareholding Pattern as on 31st July, 2013

Category	No. of Share-holders	Voting Strength %	No. of Shares held
Promoters	1	43.96	6,362,306
Insurance companies	2	6.58	952,140
Mutual Funds & UTI	16	13.74	1,987,916
Other Bodies Corporate	258	4.98	720,732
FII's/NRI's/OCB's	930	16.25	2,352,159
Individuals	10,107	14.49	2,096,393
TOTAL	11,314	100.00	14,471,646

12. Distribution of Shareholding as on 31st July, 2013

No. of Equity Shares held	No. of Share-holders	No. of Shares	%age of Share-holding
1-500	10805	1,033,715	7.15
501-1000	244	183,311	1.27
1001-2000	133	194,917	1.35
2001-3000	35	89,670	0.62
3001-4000	17	60,080	0.42
4001-5000	19	87,778	0.60
5001-10000	21	151,319	1.04
10001-50000	21	623,412	4.30
50001-100000	11	831,855	5.75
100001 - above	8	11,215,589	77.50
Total	11314	14,471,646	100.00

13. Pursuant to clause 47(c) of the Listing Agreement with the Stock Exchanges, certificate, on half yearly basis, have been issued by a Company Secretary-in-Practice for due compliance of share transfer formalities by the Company.

A Chartered Accountant-in-Practice carried out a Reconciliation of Shares Capital Audit to reconcile the total admitted capital with NSDL and CDSL and the total issued and listed capital. The audit confirm that total issued/paid up capital is in agreement with the aggregate of the total number of shares in physical form and the total number of shares in dematerialised form (held with NSDL and CDSL).

14. The Company has not issued any GDRs/ADRs/ Warrants or any convertible instruments.

15. Plant Location : SML Isuzu Limited
Village Asron, Distt. Shahid Bhagat Singh Nagar (Nawanshahar),
Punjab - 144 533

16. Investor queries etc. with respect to the financial statement and secretarial matters may be addressed to:

Mr. Gopal Bansal (Executive Director - Finance & Company Secretary)
SML Isuzu Limited
204-205, Sector 34-A,
Chandigarh - 160 135
Tele: 0172-2647700-10
Fax: 0172-2615111
Email : gbansal@smlisuzu.com

17. Website Address : www.smlisuzu.com

BALANCE SHEET AS AT 31 MARCH 2013

(Rs. in lakhs)

	Note No.	2013	2012
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share capital	4	1,447.88	1,447.88
Reserves and surplus	5	24,961.24	22,672.44
Non-current liabilities			
Deferred tax liabilities (net)	6	1,052.21	1,012.35
Other long term liabilities	7	1,136.74	1,542.70
Long-term provisions	8	2,182.86	2,033.25
Current liabilities			
Short-term borrowings	9	16,209.33	10,000.00
Trade payables		11,161.81	16,341.41
Other current liabilities	10	4,132.50	3,991.35
Short-term provisions	11	3,602.90	3,160.00
Total		65,887.47	62,201.38
ASSETS			
Non-current assets			
Fixed assets	12		
Tangible fixed assets		13,113.99	12,574.52
Intangible fixed assets		815.21	927.95
Capital work-in-progress		1,001.92	836.15
Long-term loans and advances	13	1,565.67	1,265.88
Other non-current assets	14	1.86	—
Current assets			
Inventories	15	23,064.65	22,639.16
Trade receivables	16	15,072.85	12,102.46
Cash and bank balances	17	7,500.22	8,795.90
Short-term loans and advances	18	2,696.75	2,689.27
Other current assets	19	1,054.35	370.09
Total		65,887.47	62,201.38
Significant accounting policies	3		

The notes referred to above form an integral part of the financial statements

As per our report of even date attached

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS OF SML ISUZU LIMITED

For B S R & Company
Chartered Accountants
Firm registration number : 128032W

S.K. TUTEJA
Chairman

RAJESH ARORA
Partner
Membership Number : 076124
Place : New Delhi
Date : 07 May 2013

GOPAL BANSAL
Executive Director - Finance
& Company Secretary

YUTAKA WATANABE
Managing Director & CEO

New Delhi, 07 May 2013

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2013

(Rs. in lakhs)

	Note No.	2013	2012
INCOME			
Revenue from operations	20		
Sale of products		109,672.50	112,802.27
Other operating revenues		1,558.82	756.43
		111,231.32	113,558.70
Less : Excise duty		11,021.16	9,975.59
		100,210.16	103,583.11
Other income	21	895.66	638.65
Total revenue		101,105.82	104,221.76
EXPENSES			
Cost of materials consumed	22	73,377.27	70,069.33
Purchases of Stock-in-trade (spare parts)		3,666.33	3,809.62
Changes in inventories of finished goods, work-in-progress and stock-in-trade	23	(834.70)	(1,686.51)
Employee benefits expense	24	8,091.11	6,786.48
Finance costs	25	1,861.41	1,062.45
Depreciation and amortization expense	12	1,217.81	1,044.47
Other expenses	26	8,877.44	9,640.05
Total expenses		96,256.67	97,725.89
Profit before exceptional and prior period item and tax		4,849.15	6,495.87
Exceptional and prior period item	28	—	488.32
Profit before tax		4,849.15	6,007.55
Tax expense:			
Current tax		1,166.00	1,533.60
Mat credit utilisation		—	386.40
Tax related to prior years		—	(310.86)
Deferred tax			
For prior years		43.52	285.35
For current year		(3.66)	(74.04)
Profit for the year		3,643.29	4,187.10
Earnings per share: [face value of share Rs. 10 (previous year Rs. 10)]			
Basic and diluted earnings per share	33	25.18	28.93
Significant accounting policies	3		

The notes referred to above form an integral part of the financial statements

As per our report of even date attached FOR AND ON BEHALF OF THE BOARD OF DIRECTORS OF SML ISUZU LIMITED

For B S R & Company
Chartered Accountants
Firm registration number : 128032W

RAJESH ARORA
Partner
Membership Number : 076124
Place : New Delhi
Date : 07 May 2013

GOPAL BANSAL
Executive Director - Finance
& Company Secretary

S.K. TUTEJA
Chairman

YUTAKA WATANABE
Managing Director & CEO

New Delhi, 07 May 2013

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2013

(Rs. in lakhs)

	2013	2012
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax expense	4,849.15	6,007.55
Adjustments for :		
Depreciation and amortization	1,217.81	1,044.47
Unrealised gain on foreign exchange fluctuation	(164.92)	(12.74)
Finance costs	1,861.41	1,062.45
Interest income	(580.26)	(409.50)
Fixed assets written off	-	33.52
Profit on sale of fixed assets	(10.67)	(18.67)
Provision for doubtful trade receivables	3.63	290.34
Provision for exceptional item	-	488.32
Liabilities/Provisions no longer required written back	(295.77)	(199.39)
Operating profit before working capital changes	6,880.38	8,286.35
Adjustments for :		
(Increase) in trade receivables	(2,973.03)	(722.98)
Decrease / (Increase) in other current assets	(596.75)	51.91
(Increase) in short term loans & advances	(7.48)	(268.26)
(Increase) in long term loans & advances	(177.86)	(310.44)
(Increase) in inventories	(425.49)	(1,623.28)
Increase / (Decrease) in trade payables	(4,940.91)	2,703.39
Increase / (Decrease) in other current liabilities	171.90	(88.13)
Increase in long term provisions	146.60	131.07
Increase in short term provisions	433.95	463.13
Increase in long term liabilities	72.50	232.26
CASH PROVIDED / (USED) BY OPERATIONS	(1,416.19)	8,855.02
Less: Direct tax paid (net of refunds)	1,124.12	1,406.32
NET CASH PROVIDED / (USED) BY OPERATING ACTIVITIES	(2,540.31)	7,448.70
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets (tangible & intangible assets, capital work in progress) and capital advances	(2,210.63)	(2,114.43)
Proceeds from sale of fixed assets	11.02	21.45
Investment in Bank deposits (having original maturity of more than three months)	(6,194.54)	(4,768.89)
Maturity of Bank deposits (having original maturity of more than three months)	5,127.84	3,900.56
Investment in Margin money	(2.68)	(1.68)
Maturity of Margin money	-	5.86
Interest received	436.06	238.99
NET CASH (USED) BY INVESTING ACTIVITIES	(2,832.93)	(2,718.14)

(Rs. in lakhs)

	2013	2012
C. CASH FLOW FROM FINANCING ACTIVITIES		
Unsecured loans taken during the year	24,904.82	17,000.00
Unsecured loans repaid during the year	<u>20,900.00</u>	<u>15,500.00</u>
Secured loans taken / (repaid) during the year	2,204.51	-
Dividend paid	(1,153.08)	(1,145.60)
Tax paid on dividends	(187.81)	(192.29)
Unpaid dividend paid	(4.65)	(12.13)
Finance costs paid	(1,858.40)	(1,062.45)
NET CASH PROVIDED / (USED) BY FINANCING ACTIVITIES	<u>3,005.39</u>	<u>(912.47)</u>
Net increase / (decrease) in cash and cash equivalents	(2,367.85)	3,818.09
Cash and cash equivalents at the beginning of the year	5,994.45	2,176.36
Cash and cash equivalents at the end of the year	3,626.60	5,994.45

Notes to Cash Flow Statement :-

- Components of cash and cash equivalents

Cash in hand	10.87	13.22
Balances with banks		
– Bank deposits (Original maturity with 3 months or less)	–	3,461.00
– Current accounts	3,615.73	2,520.23
	<u>3,626.60</u>	<u>5,994.45</u>
- The above "Cash flow statement" has been prepared under the Indirect method as set out in the AS -3 on "Cash flow statements".
- Previous year figures have been regrouped and recasted wherever necessary to conform to the current year classification.

The notes referred to above form an integral part of the financial statements

As per our report of even date attached FOR AND ON BEHALF OF THE BOARD OF DIRECTORS OF SML ISUZU LIMITED

For B S R & Company
Chartered Accountants
Firm registration number : 128032W

RAJESH ARORA
Partner
Membership Number : 076124
Place : New Delhi
Date : 07 May 2013

GOPAL BANSAL
Executive Director - Finance
& Company Secretary

S.K. TUTEJA
Chairman

YUTAKA WATANABE
Managing Director & CEO

New Delhi, 07 May 2013

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

1. Company overview

SML Isuzu Limited (Formerly Swaraj Mazda Limited) is a public company, incorporated under the Companies Act, 1956 and its shares are listed on the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE) in India. The Company is primarily engaged in the business of Commercial Vehicles and its parts. The Company has its operations primarily in India.

2. The financial statements for the year ended 31 March 2013 have been prepared as per the Revised Schedule VI to the Companies Act, 1956

3. Significant Accounting Policies

i) Basis of preparation of financial statements

The financial statements are prepared under the historical cost convention on the accrual basis of accounting, in accordance with the Indian Generally Accepted Accounting Principles (GAAP) and comply with the accounting standards, as prescribed by the Companies (Accounting Standards) Rules, 2006, and the provisions of the Companies Act, 1956, to the extent applicable, as adopted consistently by the Company. The financial statements have been prepared in Indian rupees rounded off to the nearest lakhs.

ii) Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Examples of such estimates include estimated provision for doubtful debts, future obligations under employee retirement benefit plans and estimated useful life of fixed assets. Differences between actual results and estimates are recognised in the year in which the actual results are known or materialised. Any revision to accounting estimates is recognised in accordance with the requirements of the respective accounting standard.

iii) Current -non-current classification

All assets and liabilities are classified into current and non-current.

Assets

An asset is classified as current when it satisfies any of the following criteria:

- it is expected to be realised in, or is intended for sale or consumption in, the company's normal operating cycle;
- it is held primarily for the purpose of being traded;
- it is expected to be realised within 12 months after the reporting date; or
- it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

Current assets include the current portion of non-current financial assets.

All other assets are classified as non-current.

Liabilities

A liability is classified as current when it satisfies any of the following criteria:

- it is expected to be settled in the company's normal operating cycle;
- it is held primarily for the purpose of being traded;
- it is due to be settled within 12 months after the reporting date; or
- the company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

Current liabilities include current portion of non-current financial liabilities.

All other liabilities are classified as non-current.

Operating cycle

Operating cycle is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents.

iv) Revenue recognition

Sales are recognized on transfer of significant risks and rewards of ownership to the customer that usually takes place on dispatch of goods to the customer from the factory/ stockyard/ storage area. In case of export sales, revenue is recognized as on the date of bill of lading, being the effective date of transfer of significant risks and rewards of ownership to the customer. Export benefits are accounted for on accrual basis.

Interest income is recognised using the time proportion method, based on underlying interest rates.

Revenue from royalty is recognized on accrual basis as per the terms of agreement entered into with the customers.

v) Tangible and intangible fixed assets

Tangible assets are recorded at cost. Cost includes freight, duties, taxes and expenses incidental to acquisition and installation of fixed assets. In case of self-constructed fixed assets, appropriate overheads including salaries & wages are allocated to the cost of the asset. The cost of capital spares is capitalized along with the cost of the related asset.

Intangible assets comprising technical know how, product designs, prototypes etc. either acquired or internally developed are stated at cost. In case of internally generated intangible assets, appropriate overheads including salaries and wages are allocated to the cost of the asset.

Capital work in progress includes cost of assets at site, direct and indirect expenditure incidental to construction and interest on the funds deployed for construction.

vi) Depreciation/ Amortisation

Depreciation on tangible fixed assets is provided on a Straight-line method on a monthly pro-rata basis at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956, except on following assets which are being depreciated at the rates mentioned below which are equivalent to the management estimate of the useful economic life of the assets:

<u>Office equipments</u>		<u>Rate per annum</u>
Air conditioners	—	25.00%
Computers	—	33.33%
<u>Vehicles</u>		
Motor cars	—	25.00%

All assets costing up to Rs. 5,000/- are being fully depreciated in the year of purchase. Capital spares are amortized in a systematic manner over a period not exceeding the useful life of the asset to which they relate.

Intangible assets are amortised on a straight-line method on a monthly pro-rata basis over a period of three to ten years based on the estimated useful life of the assets.

vii) Inventories

Inventories are valued at lower of cost or net realizable value. Cost for the purpose of valuation is calculated on a quarterly weighted average method. In respect of finished goods & work-in-progress, applicable manufacturing overheads and other costs incurred in bringing the items of inventory to their present location and condition are also included. Excise duty is included in finished goods and stock-in-trade valuation.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

viii) Employee benefits

All employee benefits payable wholly within twelve months of rendering the service are classified as short-term employee benefits. Benefits such as salaries, wages and bonus etc, are recognised in the Statement of Profit and Loss in the period in which the employee renders the related service.

Defined contribution plans: The employees' provident fund scheme, employees' state insurance fund and contribution to superannuation fund are defined contribution plans. The Company's contribution paid / payable under these schemes is recognised as an expense in the Statement of Profit and Loss during the period in which the employee renders the related service.

The Company has created a trust which has taken master policy with the Life Insurance Corporation of India to cover its liability towards employees' Superannuation.

Defined benefit plans: The Company's gratuity plan is a defined benefit plan. The present value of gratuity obligation under such defined benefit plan is determined based on an actuarial valuation carried out by an independent actuary using the Projected Unit Credit Method, which recognises each period of current and past service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation is measured at the present value of the estimated future cash flows. The discount rate used for determining the present value of the obligation under defined benefit plans, is based on the market yields on Government securities as at the valuation date having maturity periods approximating to the terms of related obligations. Actuarial gains and losses are recognised immediately in the Statement of Profit and Loss.

Gains or losses on the curtailment or settlement of any defined benefit plan are recognised when the curtailment or settlement occurs.

Other long term employee benefits: Benefits under the Company's compensated absences policy constitute the other long term employee benefits. The liability in respect of compensated absences is provided on the basis of an actuarial valuation done by an independent actuary at the year end. Actuarial gains and losses are recognised immediately in the Statement of Profit and Loss.

ix) Research and development

Revenue expenditure on research is charged to the Statement of Profit and Loss in the year in which it is incurred. Capital expenditure on development is shown as an addition to fixed assets and depreciated at the rate as applicable to respective assets.

x) Warranty expenses

Provision for warranty is estimated by the management on the basis of a technical evaluation and past experience.

xi) Foreign currency transactions

Transactions in foreign currency are recorded at the exchange rate prevailing at the date of the transaction. Exchange differences arising on foreign currency transactions settled during the year are recognised in the statement of Profit and Loss for the year.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rates on that date; the resultant exchange differences are recognised in the statement of Profit and Loss.

xii) Taxation

Income-tax expense comprises current tax (i.e. the amount of tax for the year determined in accordance with the Income-tax Act, 1961) and deferred tax charge or credit (reflecting the tax effects of the timing differences between the accounting income and taxable income for the year).

Minimum Alternate Tax (MAT) paid in excess of normal income tax is recognised as asset (MAT Credit entitlement) only to the extent, there is reasonable certainty that company shall be liable to pay tax as per the normal provisions of the Income Tax Act, 1961 in future.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the Balance Sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in the future. However, where there is an unabsorbed depreciation or carry forward loss under taxation laws, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets. Deferred tax assets are reviewed at each Balance Sheet date and written down or written up to reflect the amount that is reasonably/ virtually certain (as the case may be) to be realised.

xiii) Government grant

Grants in the form of Capital/Investment subsidy are treated as Capital Reserve.

xiv) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Other borrowing costs are recognized as an expense in the period in which they are incurred.

xv) Impairment of assets

The carrying amounts of assets are reviewed at each balance sheet date in accordance with Accounting Standard - 28 on 'Impairment of Assets' to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset or cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of profit and loss. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortisation, if no impairment loss had been recognised.

xvi) Operating lease (As lessee)

Lease arrangements, where the risks and rewards incidental to ownership of an asset substantially vest with the lessor, are recognised as operating lease.

Lease payments under operating lease are recognised as an expense in the statement of profit and loss on a straight line basis over the lease period.

xvii) Earnings per share

Basic earnings per share are calculated by dividing the net profit / (loss) for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed using the weighted average number of equity and dilutive equity equivalent shares outstanding during the year end, except where the results would be anti-dilutive.

xviii) Provisions, contingent liabilities and contingent assets

A provision is created when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. The Company does not recognise assets which are of contingent nature until there is virtual certainty of realisability of such assets. However, if it has become virtually certain that an inflow of economic benefits will arise, asset and related income is recognised in the financial statements of the period in which the change occurs.

xix) Cash and cash equivalents:

Cash and cash equivalents include cash in hand, demand deposits with banks, other short term highly liquid investments with original maturities of three months or less.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

NOTE 4

(Rs. in lakhs)

	2013	2012
SHARE CAPITAL		
Authorised		
40,000,000 equity shares (previous year 40,000,000) of Rs. 10/- each	4,000.00	4,000.00
Issued, subscribed & paid up		
14,471,646 * equity shares (previous year 14,471,646)	1,447.17	1,447.17
of Rs. 10/- each fully paid up		
Forfeited shares [13,300 (previous year 13,300)	0.71	0.71
equity shares of Rs.10 each]		
Total	1,447.88	1,447.88

* Includes 100 (previous year 100) equity shares of Rs. 10 each, fully paid up, held by an NRI for which approval from the Reserve Bank of India is pending.

a. Reconciliation of the shares outstanding at beginning and at the end of the year

Particulars	As at 31 March 2013		As at 31 March 2012	
	No. of shares	Rs. in Lakhs	No. of shares	Rs. in Lakhs
Balance at the beginning and year end	14,471,646	1,447.17	14,471,646	1,447.17

b. Shares held by holding company and/or their subsidiaries/associates

Name of shareholder	As at 31 March 2013		As at 31 March 2012	
	No. of shares	Rs. in Lakhs	No. of shares	Rs. in Lakhs
Sumitomo Corporation, Japan (Holding and ultimate holding Company)**	—	—	7,954,187	795.42

c. Details of shareholders holding more than 5% share in company

Name of shareholder	As at 31 March 2013		As at 31 March 2012	
	No. of shares	% of Holding	No. of shares	% of Holding
Sumitomo Corporation, Japan**	6,362,306	43.96%	7,954,187	54.96%
Isuzu Motors Limited**	2,170,747	15.00%	—	—
CDC Financial Services (Mauritius) Ltd.	—	—	972,983	6.72%
Actis Agribusiness Ltd.	—	—	811,258	5.61%
Reliance Capital Trustee Company Ltd.	1,228,695	8.49%	1,308,595	9.04%

** Sumitomo Corporation, Japan has sold 1,591,881 equity shares of Rs 10 each on 13 April 2012 representing 11.00% of the paid-up equity share capital in the company to an existing shareholder, Isuzu Motors Limited, Japan thereby increasing the shareholding of Isuzu Motors Ltd in the company to 15%. Consequently, shareholding of Sumitomo Corporation, Japan in the Company has been reduced to 43.96 % and it ceased to be the holding and ultimate holding company of the company since the date of such transfer.

d. Rights, preferences and restrictions attached to the equity shares :-

The company has a single class of equity shares. Accordingly, all equity shares rank equally with regard to dividends and share in the company's residual assets. The equity shares are entitled to receive dividend as declared from time to time. The voting rights of an equity shareholder on a poll (not on show of hands) are in proportion to its share of the paid-up equity capital of the company. Voting rights cannot be exercised in respect of shares on which any call or other sums presently payable have not been paid.

Failure to pay any amount called up on shares may lead to forfeiture of the shares.

On winding up of the company, the holders of equity shares will be entitled to receive the residual assets of the company, remaining after distribution of all preferential amounts in proportion to the number of equity shares held.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

NOTE 5

(Rs. in lakhs)

	2013	2012
RESERVES AND SURPLUS		
Capital reserves		
At the commencement and at the end of the year	15.00	15.00
Securities premium reserve		
At the commencement and at the end of the year	7,452.88	7,452.88
Other reserves		
General reserve		
At the commencement of the year	7,859.34	7,440.63
Add : Amount transferred from surplus	364.33	418.71
Balance at the end of the year	8,223.67	7,859.34
Surplus (Profit and loss balance)		
At the commencement of the year	7,345.22	4,922.37
Add: Profit for the year	3,643.29	4,187.10
Appropriations		
Less: Proposed dividend *	1,157.73	1,157.73
Less: Dividend tax and surcharge	196.76	187.81
Less: Transfer to General Reserve	364.33	418.71
Balance at the end of the year	9,269.69	7,345.22
Total	24,961.24	22,672.44

* The Board of Directors have recommended a dividend of Rs. 8.0 per share (previous year Rs. 8.0 per share) subject to the approval of the Shareholders at the Annual General Meeting.

NOTE 6

(Rs. in lakhs)

	2013	2012
DEFERRED TAX LIABILITIES (NET)		
(A) Deferred tax liabilities		
(i) Excess of depreciation/amortisation on fixed assets under income tax law over depreciation/amortisation provided in accounts	2,108.93	1,906.68
(ii) R&D related capital work in progress allowed under Sec 35(2AB) of the Income Tax Act, 1961	47.36	10.45
Gross deferred tax liabilities	2,156.29	1,917.13
(B) Deferred tax assets		
(i) Provision for doubtful debts / advances	247.37	276.83
(ii) Provision for leave encashment	424.94	307.97
(iii) Provision for gratuity	369.61	294.17
(iv) Provision for bonus	29.16	25.81
(v) Other disallowances under Income Tax Act, 1961	33.00	—
Gross deferred tax assets	1,104.08	904.78
Deferred tax liabilities (net)	1,052.21	1,012.35

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

NOTE 7

(Rs. in lakhs)

	2013	2012
OTHER LONG TERM LIABILITIES		
Others:		
Security deposits from dealers	750.69	678.19
Dealer development delinquency pool	354.81	575.82
Capital creditors	31.24	288.69
Total	1,136.74	1,542.70

NOTE 8

(Rs. in lakhs)

	2013	2012
LONG TERM PROVISIONS		
Provision for employees benefits:		
Gratuity (refer to note 40)	876.84	733.35
Compensated absences (refer to note 40)	<u>702.87</u>	<u>512.44</u>
	1,579.71	1,245.79
Other long term provisions :		
Warranty (refer to note 30)	198.47	384.29
Service charges	73.08	74.58
Income tax [net of Advance tax Rs. 4,554.64 Lakhs (PREVIOUS year Rs. 4,557.65 Lakhs)]	331.60	328.59
Total	2,182.86	2,033.25

NOTE 9

(Rs. in lakhs)

	2013	2012
SHORT TERM BORROWINGS		
Cash credit - secured (refer to note 46)	2,204.51	—
Cash credit - unsecured	4.82	—
Other demand loans - unsecured	14,000.00	10,000.00
Total	16,209.33	10,000.00

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

NOTE 10

(Rs. in lakhs)

	2013	2012
OTHER CURRENT LIABILITIES		
Unpaid dividends	133.88	129.23
Other payables		
Advance from customers	1,145.79	876.18
Statutory liabilities	1,789.78	1,955.07
Payable to employees	489.37	421.79
Capital creditors	573.68	609.08
Total	4,132.50	3,991.35

NOTE 11

(Rs. in lakhs)

	2013	2012
SHORT TERM PROVISIONS		
Provision for employees benefits:		
Gratuity (refer to note 40)	210.56	173.31
Compensated absences (refer to note 40)	547.32	436.78
Superannuation	21.25	18.60
Other provisions :		
Warranty (refer to note 30)	940.80	826.18
Service charges	528.48	359.59
Proposed dividend	1,157.73	1,157.73
Dividend tax and surcharge	196.76	187.81
Total	3,602.90	3,160.00

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

NOTE 12

FIXED ASSETS

(Rs. in lakhs)

Description	GROSS BLOCK				DEPRECIATION/AMORTIZATION				NET BLOCK
	As at 01.04.2012	Additions during the year	Sale/ Adj.	As at 31.03.2013	As at 01.04.2012	For the year	Sale/ Adj.	As at 31.03.2013	As at 31.03.2013
Tangible Assets (A)									
Freehold Land	48.74	-	-	48.74	-	-	-	-	48.74
Buildings	6,394.09	209.39	-	6,603.48	1,229.24	210.48	-	1,439.72	5,163.76
Plant & Equipments	10,173.37	1,013.35	4.23	11,182.49	3,668.22	657.46	4.23	4,321.45	6,861.04
Furniture & Fixtures	206.48	47.68	-	254.16	111.98	15.60	-	127.58	126.58
Office Equipment	194.92	48.54	0.43	243.03	99.72	15.21	0.43	114.50	128.53
Vehicles	1,075.08	218.04	26.03	1,267.09	520.72	126.09	26.03	620.78	646.31
Others									
Computers	500.27	107.91	2.35	605.83	388.55	80.23	1.98	466.80	139.03
Sub Total (A)	18,592.95	1,644.91	33.04	20,204.82	6,018.43	1,105.07	32.67	7,090.83	13,113.99

Description	GROSS BLOCK				DEPRECIATION/AMORTIZATION				NET BLOCK
	As at 01.04.2012	Additions during the year	Sale/ Adj.	As at 31.03.2013	As at 01.04.2012	For the year	Sale/ Adj.	As at 31.03.2013	As at 31.03.2013
Intangible Assets (B)									
Technical know-how	1,060.82	-	-	1,060.82	132.87	112.74	-	245.61	815.21
Sub Total (B)	1,060.82	-	-	1,060.82	132.87	112.74	-	245.61	815.21
Total (A+B)	19,653.77	1,644.91	33.04	21,265.64	6,151.30	1,217.81	32.67	7,336.44	13,929.20

Capital Work in Progress

1,001.92

Description	GROSS BLOCK				DEPRECIATION/AMORTIZATION				NET BLOCK
	As at 01.04.2011	Additions during the year	Sale/ Adj.	As at 31.03.2012	As at 01.04.2011	For the year	Sale/ Adj.	As at 31.03.2012	As at 31.03.2012
Tangible Assets (A)									
Freehold Land	48.74	-	-	48.74	-	-	-	-	48.74
Buildings	6,398.60	5.13	9.64	6,394.09	1,021.47	211.36	3.59	1,229.24	5,164.85
Plant & Equipments	9,580.01	683.84	90.48	10,173.37	3,146.65	582.53	60.96	3,668.22	6,505.15
Furniture & Fixtures	173.13	33.49	0.14	206.48	101.21	10.91	0.14	111.98	94.50
Office Equipment	162.07	38.15	5.30	194.92	94.61	9.68	4.57	99.72	95.20
Vehicles	918.26	204.56	47.74	1,075.08	456.24	112.22	47.74	520.72	554.36
Others									
Computers	423.71	80.51	3.95	500.27	327.13	65.38	3.96	388.55	111.72
Sub Total (A)	17,704.52	1,045.68	157.25	18,592.95	5,147.31	992.08	120.96	6,018.43	12,574.52

Description	GROSS BLOCK				DEPRECIATION/AMORTIZATION				NET BLOCK
	As at 01.04.2011	Additions during the year	Sale/ Adj.	As at 31.03.2012	As at 01.04.2011	For the year	Sale/ Adj.	As at 31.03.2012	As at 31.03.2012
Intangible Assets (B)									
Technical know-how	273.13	787.69	-	1,060.82	80.48	52.39	-	132.87	927.95
Sub Total (B)	273.13	787.69	-	1,060.82	80.48	52.39	-	132.87	927.95
Total (A+B)	17,977.65	1,833.37	157.25	19,653.77	5,227.79	1,044.47	120.96	6,151.30	13,502.47

Capital Work in Progress

836.15

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

NOTE 13

(Rs. in lakhs)

	2013	2012
LONG TERM LOANS & ADVANCES		
<i>(Unsecured considered good unless stated otherwise)</i>		
Capital advances	143.56	36.45
Security deposits	141.39	221.52
Loans to employees	113.10	121.73
Others		
Amount paid under protest to authorities		
– Income tax	489.02	284.02
– Sales tax	184.15	122.53
– Excise duty	2.13	2.12
Advance tax [(net of provision for tax Rs. 5,381.22 lakhs (Previous year Rs. 4,225.22 lakhs)]	492.32	477.51
Total	<u>1,565.67</u>	<u>1,265.88</u>

NOTE 14

(Rs. in lakhs)

	2013	2012
OTHER NON CURRENT ASSETS		
<i>(Unsecured considered good unless stated otherwise)</i>		
Bank deposits (due to mature after twelve months of the reporting date)	1.86	—
Total	<u>1.86</u>	<u>—</u>

NOTE 15

(Rs. in lakhs)

	2013	2012
INVENTORIES (cost or net realisable value, whichever is lower)		
Raw materials *	10,442.52	10,950.47
Work in progress	1,401.61	786.86
Finished goods (Vehicles)	9,606.16	9,219.30
Stock-in-trade (Spare parts) *	1,455.69	1,539.81
Stores and spares *	121.45	113.77
Loose tools *	37.22	28.95
Total	<u>23,064.65</u>	<u>22,639.16</u>

* Includes goods in transit:

– Raw materials	578.07	1,023.22
– Stock-in-trade (Spare parts)	66.12	49.44
– Stores and spares	29.20	46.17
– Loose tools	2.70	1.19

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

NOTE 16

(Rs. in lakhs)

	2013	2012
TRADE RECEIVABLES		
<i>(Unsecured considered good unless stated otherwise)</i>		
Trade receivables outstanding for a period exceeding six months from the date these are due for payment		
Considered good	115.84	687.93
Considered doubtful	848.88	846.30
Less: Provision for doubtful debts	<u>848.88</u>	<u>846.30</u>
Other receivables		
Considered good	14,957.01	11,414.53
Total	<u>15,072.85</u>	<u>12,102.46</u>

NOTE 17

(Rs. in lakhs)

	2013	2012
CASH AND BANK BALANCES		
Cash and cash equivalents		
Cash in hand	10.87	13.22
Balances with banks		
– Bank deposits (Original maturity with 3 months or less)	–	3,461.00
– Current accounts	<u>3,615.73</u>	<u>2,520.23</u>
Other bank balances		
Unpaid dividend accounts	133.88	129.23
Margin money	11.60	8.91
Bank deposits (due to mature within twelve months of the reporting date)	<u>3,728.14</u>	<u>2,663.31</u>
Total	<u>7,500.22</u>	<u>8,795.90</u>
Details of bank balances / deposits		
Bank balances available on demand/deposits with original maturity of 3 months or less included under 'Cash and cash equivalents'	3,615.73	5,981.23
Bank deposits due to mature within 12 months of the reporting date included under 'Other bank balances'	3,728.14	2,663.31
Bank deposits due to mature after 12 months of the reporting date included under 'Other noncurrent assets' (refer note 14)	<u>1.86</u>	<u>–</u>
	<u>7,345.73</u>	<u>8,644.54</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

NOTE 18

(Rs. in lakhs)

	2013	2012
SHORT-TERM LOANS & ADVANCES		
<i>(Unsecured considered good unless otherwise stated)</i>		
Others :		
Cenvat credit receivable		
Considered good	248.08	311.13
Considered doubtful	488.32	488.32
Less: Provision for doubtful advances	<u>488.32</u>	<u>488.32</u>
	248.08	311.13
VAT/Sales tax credit receivable	2,105.37	2,108.25
Advances for supply of goods	150.08	80.29
Loans and advances to employees	84.02	73.44
Prepaid expenses and other advances	109.20	116.16
Total	<u>2,696.75</u>	<u>2,689.27</u>

NOTE 19

(Rs. in lakhs)

	2013	2012
OTHER CURRENT ASSETS		
<i>(Unsecured considered good unless stated otherwise)</i>		
Interest accrued but not due on bank deposits	307.90	220.40
Financial support receivable	519.84	—
Export incentives receivables		
Considered good	226.61	149.69
Considered doubtful	6.95	6.95
Less: Provision for doubtful debts	<u>6.95</u>	<u>6.95</u>
	—	—
Total	<u>1,054.35</u>	<u>370.09</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

NOTE 20

(Rs. in lakhs)

	2013	2012
REVENUE FROM OPERATIONS		
Sale of products		
Finished goods - Vehicles	102,026.75	105,978.67
Traded goods - Spare parts	7,645.75	6,823.60
	<u>109,672.50</u>	<u>112,802.27</u>
Other operating income		
Sale of Scrap	474.79	393.36
Export Incentives	244.15	263.33
Financial Support	519.84	—
Royalty	104.01	99.74
Exchange gain on foreign exchange fluctuations (net)	216.03	—
	<u>1,558.82</u>	<u>756.43</u>
Total	<u>111,231.32</u>	<u>113,558.70</u>

NOTE 21

(Rs. in lakhs)

	2013	2012
OTHER INCOME		
Interest income on bank deposits	580.26	409.50
Profit on sale of fixed assets	10.67	18.67
Liabilities/provisions no longer required written back	295.77	199.39
Other non operating income	8.96	11.09
Total	<u>895.66</u>	<u>638.65</u>

NOTE 22

(Rs. in lakhs)

	2013	2012
COST OF MATERIALS CONSUMED		
Inventory of material at the beginning of the year	10,950.47	11,653.64
Purchases	72,869.32	76,366.16
Inventory of material at the end of the year	10,442.52	10,950.47
	<u>73,377.27</u>	<u>77,069.33</u>
Break up of material consumed	%	%
Imported	3.49	3.59
	2,564.02	2,766.04
Local	96.51	96.41
	70,813.25	74,303.29
Total	<u>100.00</u>	<u>100.00</u>
	<u>73,377.27</u>	<u>77,069.33</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

NOTE 23

(Rs. in lakhs)

	2013	2012
CHANGES IN INVENTORY OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK IN TRADE		
Opening stock		
– Finished goods (Vehicles)	9,219.30	7,525.34
– Stock-in-trade (Spare parts)	1,539.81	932.05
– Work-in-progress	786.86	793.93
	<u>11,545.97</u>	<u>9,251.32</u>
Less : Closing stock		
– Finished goods (Vehicles)	9,606.16	9,219.30
– Stock-in-trade (Spare parts)	1,455.69	1,539.81
– Work-in-progress	1,401.61	786.86
	<u>12,463.46</u>	<u>11,545.97</u>
	(917.49)	(2,294.65)
Add : Increase in excise duty on finished goods	82.79	608.14
Total	<u>(834.70)</u>	<u>(1,686.51)</u>

NOTE 24

(Rs. in lakhs)

	2013	2012
EMPLOYEE BENEFITS		
Salaries, wages, bonus and compensated absences	6,581.80	5,512.51
Contributions to provident and other funds	962.34	781.51
Workmen and staff welfare expenses	546.97	492.46
Total	<u>8,091.11</u>	<u>6,786.48</u>

NOTE 25

(Rs. in lakhs)

	2013	2012
FINANCE COSTS		
Interest expenses	1,786.60	980.31
Other borrowing costs	74.81	82.14
Total	<u>1,861.41</u>	<u>1,062.45</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

NOTE 26

(Rs. in lakhs)

	2013	2012
OTHER EXPENSES		
Consumption of stores and spares and loose tools*	130.89	195.69
Repairs:		
– Machinery	75.01	49.65
– Buildings	65.38	54.01
– Others	126.11	174.27
Power and fuel	798.34	685.51
Rent	224.00	203.49
Rates and taxes	99.02	110.63
Legal and professional	181.39	144.12
Auditors' remuneration:		
– Statutory Audit	23.00	21.50
– Tax Audit	2.50	1.50
– Limited review of quarterly results	10.50	6.00
– Other Services	1.50	3.00
– Reimbursement of expenses	2.23	1.33
Insurance	87.70	60.07
Printing, stationery and other communication expenses	132.47	121.26
Travelling and conveyance	816.51	658.00
Provision for doubtful trade receivables	3.63	290.34
Packing and freight outward	3,331.00	3,549.44
Warranty costs	1,248.04	1,320.15
Marketing, sales and promotion expenses	995.91	1,487.20
Royalty expenses	17.82	17.29
Testing and other laboratory expenses	273.35	174.77
Exchange loss on foreign currency	–	0.03
Fixed assets written off	–	33.52
Miscellaneous expenses	231.14	277.28
Total	8,877.44	9,640.05

* Value of imported and indigenous consumption of stores and spares and loose tools

(Rs. in lakhs)

	%		%	
Imported	10.85	14.20	8.91	17.44
Local	89.15	116.69	91.09	178.25
Total	100.00	130.89	100.00	195.69

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

27. There are contingent liabilities in respect of claims against the Company not acknowledged as debts:

Particulars	2012-13 (Rs. in lakhs)	2011-12 (Rs. in lakhs)
Sales tax matters	554.40	269.66
Excise and service tax matters	531.13	517.88
Income tax matters	1,243.14	916.67
Civil matters	207.65	213.21
Total	2,536.32	1,917.42

28. Through issue of excise notification no 11/95 dated March 16, 1995 Government had sought to lapse Modvat Credit Receivable aggregating Rs. 488 lakhs out of available credit balance appearing under the head "Short term Loans & Advances". Petition filed by the Company and other affected manufacturers with the Delhi High Court challenging the said notification on grounds of law and equity was allowed by the Supreme Court vide Order dated January 28, 1999. Subsequently, the Finance Act, 1999 brought in a retrospective amendment w.e.f. March 16, 1995 in the Central Excise Act, empowering the Central Government to lapse such Modvat. Based on the legal advice obtained by the Company to seek redressal against the action of the Government, the Company had filed a writ petition and was admitted by the Delhi High Court on the ground that the Government action has violated the doctrine of promissory estoppels / expectation principle besides other grounds.

In the previous years, though adjusted in excise records, no provision was made in the books of accounts in respect of such Modvat credit. On a review, the Company had provided the entire amount of Rs 488 lakhs during the previous year ended 31 March 2012. In view of the significance of the amount involved, the same was shown as an exceptional item and disclosed as a prior period adjustment during the previous year ended 31 March 2012.

29. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) Rs. 228.87 lakhs (previous year Rs. 586.64 lakhs).

30. The Company has adopted Accounting Standard 29 'Provisions, Contingent Liabilities & Contingent Assets' as notified by the Companies (Accounting Standards) Rules, 2006.

Accordingly the following disclosure has been made:

(Rs. in lakhs)

Name of the provision	Balance as on 1 April 2012	Accrued during the year	Amount utilised during the year	Balance as on 31 March 2013
Provision for warranty*	1,210.47 (967.06)	1,248.04 (1,320.15)	1,319.24 (1,076.74)	1,139.27 (1,210.47)

Figures of previous year are given in brackets

* The Company is liable towards warranty claims made by end users of its products. The year end provision is based on its estimate of the average warranty cost per unit of goods sold and on the basis of historical data it is estimated that the provision would be fully utilized over the warranty period.

31. As the Company's business activities fall within a single primary business segment, viz., "Commercial Vehicles and Spares", the disclosure requirement of Accounting Standard (AS) - 17 "Segment Reporting" is not applicable.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

32. In accordance with Accounting Standard on "Related Party Disclosures" (AS 18), the disclosure in respect of transactions with the company's related parties are as follows:

- i. **Entities where control exists** Sumitomo Corporation, Japan
Holding Company (up to 12 April 2012)
Controlling Enterprise (w.e.f. 13 April 2012)
- ii. **Key management personnel** Mr. Y. Watanabe – Managing Director & CEO (w.e.f. 01 June 2011)
Mr. Y. Watanabe – Whole-time Director (up to 31 May 2011)
Mr. R.P. Sehgal – Whole-time Director
Mr. Y. Kosaka – Whole-time Director (w.e.f. 08 Nov 2012)
Mr. Yash Mahajan – Managing Director (up to 31 May 2011)

iii. Transactions with Sumitomo Corporation, Japan:

Nature of transactions	2012-2013	2011-2012
	Rs. in lakhs	Rs. in lakhs
a. Purchase of components/spares	2,161.65	1,017.56
b. Purchase of fixed assets	2.37	–
c. Other borrowing costs (Discounting charges)	6.71	1.07
d. Dividend paid	508.98	636.33
e. Balance outstanding at the year end - payable	1,054.41	292.62

iv. Payments to Key Management Personnel:

a. Remuneration *:		
Mr. Y. Watanabe	120.03	118.98
Mr. R.P. Sehgal	119.26	118.93
Mr. Y. Kosaka (w.e.f. 08 Nov 2012)	25.07	–
Mr. Yash Mahajan (up to 31 May 2011)	–	51.98
b. Director's remuneration payable at the year end	96.00	107.89

* Excludes contribution to the gratuity fund and provision for compensated absences determined on an actuarial basis, as these are determined for the company as a whole.

33. Earnings Per Share (EPS):	31.03.2013	31.03.2012
Profit attributable to equity shareholders (Rs. in lakhs)	3,643.29	4,187.10
Weighted average number of equity shares outstanding during the year. [excluding 13,300 forfeited equity shares (Previous Year 13,300)] (in nos.)	14,471,646	14,471.646
Basic and Diluted Earnings per share (Rs.)	25.18	28.93
Face Value per share (Rs.)	10.00	10.00

34. Value of imports on CIF basis:

	2012-2013	2011-2012
	Rs. in lakhs	Rs. in lakhs
Raw materials & components	2,788.53	1,333.87
Spares & stores (Including capital spares)	267.04	390.89
Capital goods	221.06	117.94
	3,276.63	1,842.70

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

35. Earnings in foreign currency (at FOB Value) :

	<u>2012-2013</u>	<u>2011-2012</u>
	<u>Rs. in lakhs</u>	<u>Rs. in lakhs</u>
Export of vehicles	2,677.37	5,028.32
Export of spare parts	72.20	96.88
	<u>2,749.57</u>	<u>5,125.20</u>

36. Expenditure in foreign currency:

	<u>2012-2013</u>	<u>2011-2012</u>
	<u>Rs. In lakhs</u>	<u>Rs. In lakhs</u>
Travelling and conveyance	18.47	9.05
Other borrowing costs (Discounting charges)	6.71	1.07
Royalty	17.82	17.29
	<u>43.00</u>	<u>27.41</u>

37. Based on the information and records presently available with the management, there are no dues outstanding to micro and small enterprises covered under the Micro, Small and Medium Enterprises Development Act, 2006.

38. The Company has established a comprehensive system of maintenance of information and documents as required by the transfer pricing regulation under sections 92-92F of the Income-Tax Act, 1961. Since the law requires existence of such information and documentation to be contemporaneous in nature, the Company continuously updates its documentation for the international transactions entered into with the associated enterprises during the financial year and expects such records to be in existence latest by the due date as required under law. The management is of the opinion that its international transactions are at arms length so that the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of income tax expense and that of provision for taxation.

39. The Company has taken certain premises under operating lease arrangements. The total lease rental recognized as expense aggregate to Rs. 224.00 lakhs (previous year Rs. 203.49 lakhs).

Future minimum lease payments under non-cancellable operating leases :

	<u>2012-2013</u>	<u>2011-2012</u>
	<u>Rs. In lakhs</u>	<u>Rs. In lakhs</u>
Not later than one year	55.26	47.35
Later than one year and not later than five years	159.84	94.31

40. Disclosures as per AS - 15 (Revised) 'Employee Benefits' for year ended March 31, 2013:

I Defined Contribution Plans

(a) Provident Fund and Superannuation

During the year, the Company has recognised the following amounts in the Statement of Profit and Loss:-

	<u>2012-2013</u>	<u>2011-2012</u>
	<u>Rs. In lakhs</u>	<u>Rs. In lakhs</u>
Employers contribution to Provident Fund	453.40	399.19
Superannuation*	81.12	103.23

*Included in Contribution to Provident and other funds in Note 24

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

(b) Employees State Insurance Scheme

During the year, the Company has recognised the following amounts in the Statement of Profit and Loss: -

	2012-2013	2011-2012
	Rs. In lakhs	Rs. In lakhs
Employees State Insurance Scheme*	5.51	14.76

*Included in Contribution to Provident and other funds in Note 24

II Defined Benefit Plans

Contribution to Gratuity fund - Life Insurance Corporation of India

Actuarial Assumptions	2012-2013	2011-2012
Mortality table	IAL	LIC
	2006-08 Ultimate	1994-96 Ultimate
Attrition rate	5.00% p.a	5.00% p.a
Discount rate	8.15% p.a	8.75% p.a
Future salary rise	6.00% p.a	6.00% p.a
Expected return on plan assets	9.40% p.a	9.30% p.a
Remaining working life	19.81 years	19.58 years

Expenses recognized in the Statement of Profit and Loss*	2012-2013	2011-2012
	Rs. In lakhs	Rs. In lakhs
Current service cost	120.55	96.97
Interest cost on obligation	104.10	94.83
Expected return on plan assets	(46.19)	(31.74)
Net actuarial loss recognized in the year	243.86	104.27
Total expenses recognized in the Statement of Profit & Loss	422.32	264.33

* Included in Contribution to Provident and other funds in Note 24.

Movement in the present value of obligation

Defined benefit obligation as at beginning of year	1,338.08	1,127.60
Current Service cost	120.55	96.97
Interest cost	104.10	94.83
Actuarial loss/(gain)	246.85	106.40
Benefits paid	(121.55)	(87.72)
Defined benefit obligation as at end of year	1,688.03	1,338.08

Gratuity Funded

Movement in fair value of plan assets	2012-13	2011-12
	Rs. In lakhs	Rs. In lakhs
Fair value of plan assets as at beginning of the year	431.42	285.15
Expected return on plan assets	46.19	31.75
Contributions paid by employer	241.57	200.12
Actuarial gain	2.99	2.12
Benefits paid	(121.55)	(87.72)
Fair value of plan assets as at end of the year	600.62	431.42

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

Five year details

Reconciliation of present value of defined benefit obligation and the fair value of assets	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>
Present value of defined benefit obligation as at end of year	677.36	825.48	1,127.60	1,338.08	1,688.03
Fair value of Plan Assets as at end of year	212.46	232.18	285.15	431.42	600.62
funded status					
Experience adjustment	85.81	80.25	195.22	127.26	174.73
Present value of unfunded obligation as at end of year	464.90	593.30	842.45	906.66	1,087.41

The major categories of plan assets as a percentage of total plan assets as at March 31, 2013 are as follows:

	<u>2012-13</u>	<u>2011-12</u>
Insurer Managed Funds	100%	100%

Note: The estimates of future salary increase, considered in actuarial variation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

The Company expects to contribute approximately Rs. 112.59 lakhs to the Gratuity Fund during financial year 2013-14.

Short term employment benefits

The undiscounted amount of short term employee benefits expected to be paid in exchange for services rendered by employees is recognized during the period when the employee renders the services. These benefits include compensated absences and performance incentives.

41. Research and development costs are as follows :

	<u>2012-2013</u>	<u>2011-2012</u>
	<u>Rs. In lakhs</u>	<u>Rs. In lakhs</u>
a. Revenue expenditure		
Salaries and wages	529.09	451.61
Contribution to provident and other funds	40.65	30.63
Cost of materials consumed	302.90	133.65
Testing expenses	125.76	102.58
Travelling and conveyance	52.72	35.08
Membership & subscription	17.06	10.41
Software	40.15	11.44
Telephone, insurance, AMC, magazines, freight and others	188.26	88.00
Total	1,296.59	863.40
b. Capital expenditure		
– Capitalised	150.42	76.66
– Work-in-progress	114.21	24.69

42. Details in respect of dividend remitted during the year in foreign currency :

- Number of Non-resident shareholders: 1 (Previous year 1)
- Number of shares held as on record date: 2,170,747 (Previous year 578,866)
- Amount remitted during the year: Rs. 17,365,976 (Previous year Rs. 4,630,928)
- Financial Year to which dividend pertains : 2011-12 (Previous year 2010-11)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

43. The Company had issued 3,984,946 equity shares of Rs. 10 each at a premium of Rs. 190 per share on rights basis on 26 March 2010. The net proceeds (Net of issue expenses Rs. 118.52 lakhs) of the rights issue were utilized for repayment of Allahabad Bank Term Loan Rs. 5,000.00 lakhs and for general corporate purposes Rs. 1,051.37 lakhs by 31 March 2010. Out of balance proceeds of Rs. 1,800 lakhs earmarked for financing the expansion project, Rs. 1,299.97 lakhs have been utilized till 31 March 2013 as per terms of the Letter of Offer and subsequent shareholder's approval. As regards balance amount of Rs. 500.03 lakhs shareholders have given their consent at Extraordinary General Meeting held on 28 March 2013 for its utilization towards general corporate purposes including but not restricted to meeting working capital requirements.
44. In respect of change of company name from SWARAJ MAZDA LIMITED to SML ISUZU LIMITED, the Registrar of Companies, Chandigarh has issued a fresh certificate of incorporation dated 03 January 2011.
45. **Particulars of the foreign currency exposures that are not hedged by a derivative instrument or otherwise :**

Particulars	Currency Denomination	As at 31 March 2013		As at 31 March 2012	
		Foreign Currency Amount in lakhs	Amount in Rupees in lakhs	Foreign Currency Amount in lakhs	Amount in Rupees in lakhs
Current Liabilities	Japanese Yen	1,818.58	1,054.41	464.38	292.62
Current Liabilities	Euro	0.10	6.93	-	-
Debtors	USD	0.09	4.79	8.75	446.08

46. The cash credit limits sanctioned by the bankers are secured by a first charge by way of hypothecation of the company's current assets i.e. stocks of raw materials, semi-finished goods, finished goods, stores and spares, bills receivables including receivables from hire purchase/ leasing, book debts and other movables of the Company (both present and future) and also by way of a collateral a pari passu second charge on the Company's fixed assets.
- The Company had in an earlier year taken loans from Financial Institutions against first charge on its movable and immovable property. The said loans have since been repaid. However, the charges in respect of these loans are in the process of being vacated.
47. Previous year figures have been regrouped / reclassified, wherever necessary, in order to conform to current year's classifications.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS OF SML ISUZU LIMITED

For B S R & Company
Chartered Accountants
Firm registration number : 128032W

RAJESH ARORA
Partner
Membership Number : 076124
Place : New Delhi
Date : 07 May 2013

GOPAL BANSAL
Executive Director - Finance
& Company Secretary

S.K. TUTEJA
Chairman

YUTAKA WATANABE
Managing Director & CEO

New Delhi, 07 May 2013

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SML ISUZU LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of SML Isuzu Limited ('the Company'), which comprise the Balance Sheet as at 31 March 2013, the Statement of Profit and Loss and the Cash Flow Statement for the year ended, and a summary of significant accounting policies and other explanatory information.

Management responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2013;
- (b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on other legal and regulatory requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
 - a. we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c. the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account ;
 - d. in our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;
 - e. on the basis of written representations received from the directors as on 31 March 2013 and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For **B S R & Company**
Chartered Accountants
Firm Registration No.: 128032W

Rajesh Arora
Partner
Membership No.: 076124

Place: Gurgaon
Date : 07 May 2013

ANNEXURE TO AUDITORS' REPORT

(Referred to in our report of even date)

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) As explained to us, the Company has a regular programme of physical verification of its fixed assets in a phased manner over a period of three years. In accordance with this programme, certain fixed assets were physically verified by the Company during the current year. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its fixed assets. No material discrepancies were noticed on such verification.
- (c) Fixed asset disposed off during the year were not substantial, and therefore, do not affect the going concern assumption.
- (ii) (a) The inventory, except materials-in-transit and stock lying with third parties, has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable. For stocks lying with third parties at the year-end, written confirmations have been obtained.
- (b) The procedures for the physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) According to the information and explanations given to us, we are of the opinion that there are no companies, firms or other parties covered in the register required under Section 301 of the Companies Act, 1956. Accordingly, paragraph 4(iii) of the order is not applicable.
- (iv) In our opinion and according to the information and explanations given to us, and having regard to the explanation that purchases of certain items of inventories are for the Company's specialised requirements and therefore suitable alternative sources are not available to obtain comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventories and fixed assets and sale of goods. As informed to us, the Company does not provide any services. We have not observed any major weakness in the internal control system during the course of the audit.
- (v) In our opinion, and according to the information and explanations given to us, there are no contracts and arrangements the particulars of which need to be entered into the register maintained under section 301 of the Companies Act, 1956. Accordingly, paragraph 4(v)(b) of the order is not applicable
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules prescribed by the Central Government for maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 in respect of its products and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records.
- (ix) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income tax, Wealth tax, Excise duty, Service tax, Customs duty, Sales tax and other material statutory dues have been regularly deposited by the Company with the appropriate authorities.
According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income tax, Wealth tax, Service tax, Customs duty, Excise duty, Sales tax and other material statutory dues were in arrears as at 31 March 2013 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, there are no dues of Wealth tax and Customs duty which have not been deposited with the appropriate authorities on account of any dispute. Further, according to the information and explanations given to us, except as stated below, there are no dues of Income tax, Sales tax, Service tax and Excise duty which have not been deposited by the Company on account of disputes:

Name of the statute	Particulars	Amount Disputed Rs. Lakhs	Amount Deposited Rs. Lakhs	Period to which the amount relates	Forum where the dispute is pending
Central Sales Tax Act, 1956	Demand raised for difference in the rate of tax	218.23	87.30	1 st April 2000 to 30 th September 2000	Sales Tax Appellate Tribunal, Chandigarh.
Punjab VAT Act, 2005	Vehicles impounded & demand raised due to discrepancy in / inadequacy of documents	1.57	0.39	August, 2007	Deputy Excise and Taxation Commissioner cum Joint Director Enforcement, Patiala.
Gujarat Sales Tax Act, 1969	Demand raised due to discrepancy in documents	11.78	5.50	2001-02	Deputy Commissioner (Appeals), Gujarat
U P Trade Tax Act, 1948	Demand raised due to sales tax rate difference.	15.94	7.20	1993-94	Additional Commissioner (Appeals), Lucknow
J&K GST Act, 1962	Demand raised for difference in D and F Forms	2.42	0.25	2003-04	Deputy Commercial Taxes (Appeals) (Appellate Authority) Jammu
J&K GST Act, 1962	Demand raised for difference in D and F Forms	23.36	0.65	2004-05	Deputy Commercial Taxes (Appeals) (Appellate Authority) Jammu
Punjab VAT Act, 2005	Wrong Input Tax Credit taken in the returns	67.76	67.76	2009-10	The Assistant Excise and Taxation Officer-cum-Designated Officer
Delhi VAT Act, 2004	Department has rejected exemption certificate of vehicles sold to BSES and non-submission of F Forms	49.19	1.41	2002-03	SPL. Commissioner-I
Delhi VAT Act, 2004	Department has rejected exemption certificate of vehicles sold to BSES and non-submission of F Forms	2.47	2.47	2003-04	Sales Tax Officer
Gujarat Sales Tax Act, 1969	Sales Return/Branch transfers documents could not be produced during the assessment, so the tax on the sales return has been charged by the Department.	161.68	Nil	2008-09	Joint Commercial Tax Commissioner (Appeals)
	Sub Total	554.40	172.93		
Central Excise Act, 1944	Demand raised to re-determine the assessable value of components supplied to spare parts division under Rule 7 of Valuation Rules	4.25 (include penalty Rs. 2.12 lakhs)	2.12	1 st April, 2000 to 31 st March, 2004	Custom Excise and Service Tax Appellate Tribunal (CESTAT)

Finance Act, 1994	Demand raised in context with Service tax on royalty received on account of use of brand name of SML	9.92 (includes penalty Rs 6.62 lakhs)	Nil	April 2002 to March 2005.	Custom Excise and Service Tax Appellate Tribunal (CESTAT)
Central Excise Act, 1944	Demand raised for non-inclusion of cost of publicity items sold to dealers on trading basis as part of Transaction Value	3.19 (includes penalty Rs 0.30 lakhs)	Nil	1 st January, 2004 to 30 th September, 2004	Custom Excise and Service Tax Appellate Tribunal (CESTAT)
Central Excise Act, 1944	Inadmissible Service tax credit utilized for payment of service tax liability resulting in short payment of Excise & service tax liability	5.70 (includes penalty Rs. 2.85 lakhs)	Nil	2005-06	Commissioner (Appeals)
Finance Act, 1994	Denial of utilization of service tax credit for the payment of service tax liability	5.70 (includes penalty Rs. 2.85 lakhs)	Nil	2005-06	Custom Excise and Service Tax Appellate Tribunal (CESTAT)
Finance Act, 1944	Demand raised for Service Tax Credit taken on Canteen services provided to employees where cost of food borne by the Company and part of the same recovered from employees.	1.85	Nil	Nov 2009 to May 2010	Custom Excise and Service Tax Appellate Tribunal (CESTAT)
Central Excise Act, 1944	Demand raised for non-inclusion of cost of publicity items sold to dealers on trading basis as part of Transaction Value	1.94	Nil	October 2004 to March 2005	Hon'able Supreme Court of India
Central Excise Act, 1944	Demand raised for non-inclusion of cost of publicity items sold to dealers on trading basis as part of Transaction Value	1.89	Nil	October 2006 to June 2008	Custom Excise and Service Tax Appellate Tribunal (CESTAT)
Central Excise Act, 1944	Demand raised for non-inclusion of cost of publicity items sold to dealers on trading basis as part of Transaction Value	5.79 (includes penalty Rs 2.90 lakhs)	Nil	April 2005 to January 2006	Custom Excise and Service Tax Appellate Tribunal (CESTAT)
Finance Act, 1994	Demand raised for Service Tax Credit taken on Canteen services where part of cost of food recovered from employees.	4.26 (includes penalty Rs 2.13 lakhs)	Nil	April 2006 to December 2008	Custom Excise and Service Tax Appellate Tribunal (CESTAT)

Finance Act, 1994	Demand raised for Service Tax Credit taken on Canteen services provided to employees where cost of food borne by the Company.	3.36	Nil	April 2006 to December 2008	Custom Excise and Service Tax Appellate Tribunal (CESTAT)
Finance Act, 1994	Demand raised for Service Tax Credit taken on Canteen services provided to employees where cost of food borne by the Company and part of the same recovered from employees.	3.98 (includes penalty Rs 1.98 lakhs)	Nil	January 2009 to October 2009	Custom Excise and Service Tax Appellate Tribunal (CESTAT)
Finance Act, 1994	Demand raised for Service Tax Credit taken on Insurance cover of employees	1.88 (includes penalty Rs 0.03 lakhs)	Nil	September 2004 to December 2008	Custom Excise and Service Tax Appellate Tribunal (CESTAT)
Central Excise Act, 1944	Demand raised for levy of Education Cess and Secondary Higher Education Cess on Automobile Cess	3.62 (includes penalty Rs. 1.81 lakhs)	Nil	April 2008 to June 2009	Custom Excise and Service Tax Appellate Tribunal (CESTAT)
Central Excise Act, 1944	Demand raised for levy of Education Cess and Secondary Higher Education Cess on Automobile Cess	3.18 (includes penalty Rs. 1.59 lakhs)	Nil	July 2009 to March 2010	Commissioner (Appeals)
Central Excise Act, 1944	Demand raised for levy of Education Cess and Secondary Higher Education Cess on Automobile Cess	3.66 (includes penalty Rs. 1.83 lakhs)	Nil	April 2010 to Dec 2010	Commissioner (Appeals)
Central Excise Act, 1944	Imposition of penalty in relation to Classification dispute of Ambulances fabricated & cleared from the premises of body builder	300.00	Nil	Apr 2005 to Nov 2009	Custom Excise and Service Tax Appellate Tribunal (CESTAT)
Central Excise Act, 1944	Cenvat benefit taken on Input/Capital & Services used for R&D purposes. October 2006 to March 2011	129.18 (include penalty Rs.64.59 lakhs)	Nil	Oct 2006 to Dec 2011	Custom Excise and Service Tax Appellate Tribunal (CESTAT)
Finance Act, 1994	ST credit taken in respect of "Rent a Cab" services used for transportation of employees from their residence to factory. January 2010 to September 2010.	0.54	Nil	Jan 2010 to Sep 2010	Commissioner (Appeals)

Finance Act, 1994	ST credit taken in respect of "Rent a Cab" services used for transportation of employees from their residence to factory. (July 07 to December 09)	2.64	Nil	July'2007 to Dec'2009	Custom Excise and Service Tax Appellate Tribunal (CESTAT)
Finance Act, 1994	ST credit taken in respect of "Rent a Cab" services used for commutation of employees from their residence to factory and back.	0.94 (include penalty Rs. 0.47 lacs)	Nil	01 October 2010 to 31 March 2011	Commissioner (Appeals)
Central Excise Act, 1944	Imposition of penalty in relation to non compliance of Rule 10A by body builder	25.00	Nil	December 2008 to July 2009	Custom Excise and Service Tax Appellate Tribunal (CESTAT)
Finance Act, 1994	Service tax credit taken on Freight & Insurance incurred from Place of Removal	8.66	Nil	01 March 2006 to 28 February 2008	Commissioner (Appeals)
	Sub Total	531.13	2.12		
Income Tax Act, 1961	Disallowance of provision for bad and doubtful debts	19.01	Nil	1991-92	High Court of Punjab & Haryana
Income Tax Act, 1961	Demand raised for non deduction of TDS on payment of Fee for Technical Services/ Royalty	28.51	Nil	1986-87	High Court of Punjab & Haryana
Income Tax Act, 1961	Demand raised on disallowance of expenses, loading of statutory dues on Work-in-Progress under section 145(A) of Income Tax Act, 1961 and weighted R&D deduction.	101.55	62.00	2004-05	Income Tax Appellate Tribunal
Income Tax Act, 1961	Demand raised under section 234 B and 234 C of Income Tax Act, 1961 by assessing authority	22.02	22.02	1997-98	High Court of Punjab & Haryana
Income Tax Act, 1961	Demand raised on disallowance of expenses, loading of statutory dues on Work-in-Progress under section 145A of Income Tax Act, 1961 and weighted R&D deduction.	94.79	Nil	2005-06	Income Tax Appellate Tribunal

Income Tax Act, 1961	Demand raised on disallowance of expenses, loading of statutory dues on Work-in-Progress under section 145A of Income Tax Act, 1961 and weighted R&D deduction.	137.10	Nil	2006-07	Income Tax Appellate Tribunal
Income Tax Act, 1961	Demand raised under section 271(1)(c) of Income Tax Act, 1961	50.88	5.00	2005-06	Commissioner of Income Tax (Appeals)
Income Tax Act, 1961	Demand raised on disallowance of revenue expenditure incurred on expansion of business, excess provision made on account of Warranty , bad debts written off ,interest on utilization of loan,Work-in-Progress under section 145A of Income Tax Act, 1961	664.05	400.00	2007-08	Commissioner of Income Tax (Appeals)
Income Tax Act, 1961	Demand raised on disallowance of revenue expenditure incurred on expansion of business, excess provision made on account of Warranty , bad debts written off ,interest on utilization of loan,Work-in-Progress under section 145A of Income Tax Act, 1961	42.41	Nil	2008-09	Commissioner of Income Tax (Appeals)
Income Tax Act, 1961	Demand raised (u/s) 271(1)(c)	82.82	Nil	2006-07	Commissioner of Income Tax (Appeals)
	Sub Total	1,243.14	489.02		

- (x) The Company does not have any accumulated losses and has not incurred cash losses in the current year and immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks and financial institutions. In our opinion and according to the information and explanations given to us, the Company did not have any outstanding dues to any debenture holders during the year.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi/ mutual benefit fund/ society.

- (xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) According to the information and explanations given to us, the Company did not have any term loans outstanding during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we are of the opinion that the funds raised on short-term basis have not been used for long-term investment.
- (xviii) As stated in paragraph (v) above, there are no companies/firms/parties covered in the register required to be maintained under Section 301 of the Companies Act, 1956.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money by way of public issues during the year. Utilization of money during the year for the money raised by public issue in earlier years has been disclosed by the management in note 43. We have verified such end use.
- (xxi) According to the information and explanations given to us, no material fraud on or by the Company has been noticed or reported during the course of our audit.

For B S R & Company
Chartered Accountants
Firm Registration No.: 128032W

Rajesh Arora
Partner
Membership No.: 076124

Place: Gurgaon
Date : 07 May 2013

AUDITORS' CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENTS

To the Members of SML ISUZU LIMITED

We have examined the compliance of conditions of Corporate Governance by SML Isuzu Limited ('the Company'), for the year ended on 31 March 2013, as stipulated in Clause 49 of the Listing Agreement of the Company with the stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For B S R & Company
Chartered Accountants
Firm registration number: 128032W

Place: Gurgaon
Date: 13 August 2013

Rajesh Arora
Partner
Membership number: 076124

DECLARATION BY THE MANAGING DIRECTOR & CEO UNDER CLAUSE 49 OF THE LISTING AGREEMENT

I, Yutaka Watanabe, Managing Director & CEO of SML ISUZU LIMITED hereby confirm that all the Directors and Senior Management Personnel of the Company have affirmed compliance with Company's Code of Conduct for the Financial Year ended 31st March, 2013 in accordance with Clause 49 sub clause I(D) of the Listing Agreement..

Place : New Delhi
Dated : 07 May 2013

(YUTAKA WATANABE)
Managing Director & CEO

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Twenty ninth Annual General Meeting of the Company will be held at its Registered office at Village Asron, Distt. Shahid Bhagat Singh Nagar (Nawanshahar), Punjab on 21st September, 2013 (Saturday) at 1.00 P.M. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2013 and Statement of Profit and Loss Account for the year ended 31st March, 2013 together with the Directors' Report and Auditors' Report thereon.
2. To declare dividend.
3. To appoint a Director in place of Mr. E. Seto who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. P. K. Nanda who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. Pankaj Bajaj who retires by rotation and, being eligible, offers himself for re-appointment.
6. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS

To consider and, if thought fit, to pass with or without modification(s) the following resolutions:

7. As an Ordinary Resolution:

RESOLVED THAT Mr. Yuji Kosaka, who was appointed as an Additional Director of the Company and who in terms of section 260 of the Companies Act, 1956 holds office as an Additional Director until this Annual General Meeting and in respect of whom the Company has received notice in writing under section 257 of the Companies Act, 1956 proposing his candidature for the office of director, be and is hereby appointed as a Director of the Company.

8. As an Ordinary Resolution:

RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 310 and 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to approval of Shareholders, approval of the Company be and is hereby accorded to the appointment of Mr. Yuji Kosaka, as the Whole-time Director of the Company for a period of 2 years commencing from 8th November, 2012 on the following terms and conditions:

A. SALARY

Rs. 3,80,000/- per month with effect from 8th November, 2012.

Salary to be increased in such increments, as may be decided by the Board of Directors within the range of Rs. 3,80,000/- to Rs. 6,00,000/- per month during the period of appointment.

B. PERQUISITES AND ALLOWANCES

1. Fully furnished accommodation with telephone facility, domestic staff including security, if required and utilities such as gas, electricity, water etc.

2. Reimbursement of medical expenses for self and family during stay in India.
3. Provision of a car with driver.

C. RETIRAL BENEFITS

Contribution to provident fund as applicable to Senior Management from time to time.

Provided that the remuneration payable to Mr. Yuji Kosaka as Whole-time Director of the Company (including the salary, perquisites, benefits and amenities etc.) shall not exceed the limits laid down in Sections 198 and 309 of the Companies Act, 1956 and the Rules made thereunder or any statutory modification or re-enactment thereof.

D. MINIMUM REMUNERATION

Notwithstanding anything to the contrary herein contained, where in any financial year during the currency of the tenure of Mr. Yuji Kosaka, as Whole-time Director, the Company has no profits or profits are inadequate, the remuneration by way of salary and perquisites payable to him shall not exceed the limits prescribed under the Companies Act, 1956 and the Rules made thereunder or any statutory modification or re-enactment thereof.

RESOLVED FURTHER THAT Board of Directors be and is hereby authorized to take all necessary actions and to do all such things and deeds as may be required to give effect to the above resolution.

9. As an Ordinary Resolution:

RESOLVED THAT Mr. Masaki Nakajima, who has been co-opted as Director of the Company and who in terms of section 260 of the Companies Act, 1956 holds office as an Additional Director until this Annual General Meeting and in respect of whom the Company has received notice in writing under section 257 of the Companies Act, 1956 proposing his candidature for the office of director, be and is hereby appointed as a Director of the Company.

10. As an Ordinary Resolution:

RESOLVED THAT Mr. Yasuyuki Niiijima, who has been co-opted as Director of the Company and who in terms of section 260 of the Companies Act, 1956 holds office as an Additional Director until this Annual General Meeting and in respect of whom the Company has received notice in writing under section 257 of the Companies Act, 1956 proposing his candidature for the office of director, be and is hereby appointed as a Director of the Company.

11. As an Ordinary Resolution:

RESOLVED THAT Mr. Sudhir Nayar, who has been co-opted as Director of the Company and who in terms of section 260 of the Companies Act, 1956 holds office as an Additional Director until this Annual General Meeting and in respect of whom the Company has received notice in writing under section 257 of the Companies Act, 1956 proposing his candidature for the office of director, be and is hereby appointed as a Director of the Company.

By Order of the Board

Regd. Office:
Village Asron
Distt. Shahid Bhagat Singh Nagar (Nawanshahar), Punjab
Dated: 06 August 2013

(GOPAL BANSAL)
Executive Director – Finance &
Company Secretary

NOTES:

1. An explanatory statement pursuant to section 173(2) of the Companies Act, 1956 is enclosed hereto and forms part of the Notice.
2. **A member entitled to attend and vote is entitled to appoint a Proxy to attend instead of himself. Such Proxy need not be a member of the Company.** Proxies in the Form Annexed hereto must be lodged at the Registered office of the Company not later than 48 hours before the commencement of the meeting.
3. The Register of Members and Transfer Books of the Company will remain closed from 31.08.2013 to 06.09.2013 (both days inclusive).
4. Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to address their questions in writing to the Company Secretary of the Company at least 7 days before the date of the Meeting so that information required may be made available at the Meeting.
5. Subject to the provisions of section 206A of the Companies Act, 1956, dividend as recommended by the Board of Directors, if approved at the Meeting, will be payable on or after 21st September, 2013 but within the statutory time limit, to those Members whose names appear in the Register of Members as on 6th September, 2013. In respect of shares held in electronic form, the dividend will be payable to the beneficial owners of the shares as per details furnished by the depositories for this purpose.
6. The Company has transferred unclaimed amounts of dividends paid upto financial year 2004-05, to the Investor Education and Protection Fund (IEPF) of the Central Government as required under section 205C of the Companies Act, 1956. Members may please note that if unpaid dividend is not claimed from the Company for seven years from the date when it became due, it shall be transferred to the Investor Education and Protection Fund as stated above and it cannot be claimed from that Fund.

Members who have not encashed their Dividend warrant(s) within the validity period may write to the Company Secretary, SML Isuzu Limited, SCO 204 - 205, Sector 34 A, Chandigarh - 160135, for obtaining payment in lieu of such warrants.

7. Members holding shares in dematerialized form, are requested to notify any change in their address, mandates etc., directly to the concerned Depository Participant. And in case of shares held in physical form, to the Company's Registrar and Share Transfer Agents, M/s MCS Limited, F - 65, Okhla Industrial Area, Phase - I, New Delhi - 110020.
8. Members holding shares in Demat form may please note that the bank account details given by them to their Depository Participants (DPs) and passed on to the Company by such DPs would be printed on the dividend warrants of the concerned members. However, if any Member wants to receive dividend in any other bank account, such Member should change / correct the bank account details with their concerned DPs. The Company would not entertain any request from such shareholders directly for deletion / change in the bank account details printed on the dividend warrants on the basis of information furnished by the DPs to the Company.

Members holding shares in physical form are advised to submit particulars of their bank account, viz., name and address of the branch of the bank, 9 digit MICR code of the branch & 11 digit IFSC Code, type of

account and account number latest by 6th September, 2013 to the Company or the Registrar M/s MCS Limited, F - 65, Okhla Industrial Area, Phase I, New Delhi - 110020.

9. Members who hold shares in physical form may nominate a person in respect of all the shares held by them whether singly or jointly. Blank forms will be supplied by the Company on request. Members holding shares in demat form may contact their respective depository participants for recording of nomination.
10. Members having multiple folios are requested to intimate to the registrar M/s MCS Limited, New Delhi, such folios to enable the Company to consolidate all shareholdings into one folio.
11. Members / Proxy holders are requested to produce the Attendance Slip duly completed and signed, for admission to the Meeting Hall.
12. Appointment / Reappointment of Directors:

Information / details as required under the Corporate Governance Code in respect of persons being appointed as Directors at the forthcoming Annual General Meeting is given below:

- a) Mr. Seto was appointed as a Non-executive Director of the Company in May 2010. He holds bachelor's degree in Law from Waseda University, Tokyo (Japan). Mr. Seto Joined Sumitomo Corporation in 1982 and has several years of experience in the motor vehicles department. In 1993, Mr. Seto was appointed as the Manager of the Detroit office of Sumitomo Corporation, America and is currently General Manager, Automotive Manufacturing Business Department.

Mr. Seto has over 31 years of experience in the automobile industry.

Mr. Seto does not hold any shares in the Company.

Mr. Seto is a Non-executive Director belonging to the promoter group.

- b) Mr. P. K. Nanda is an independent Director on our Board. He holds a degree in commerce from Kanpur University and is a Qualified Chartered Accountant. Mr. Nanda has held several key managerial positions with Multi National Companies, both in India and abroad such as Remington Rand, Philips Electronics and Metal Box. He was appointed as the Chairman and Managing Director of Metal Box India in 1970. He was also the founder president of the Confederation of Indian Industry (CII) and has also served as a member of committees of Confederation of British Industry and United Kingdom South Africa Trade Association. He has also been a guest lecturer at the International Management Institute, Geneva. He is currently a business consultant focusing on international business strategy. Mr. Nanda has over 52 years of experience in the areas such as finance, corporate affairs, international trade and commerce and business strategy. He joined our Board in July, 2006.

Mr. Nanda does not hold any shares in the Company.

Mr. Nanda is Chairman of JMG Corporation Limited.

Details of Mr. Nanda's Membership in Committees are given below:

<u>Name of the Company</u>	<u>Name of Committee</u>
JMG Corporation Ltd.	Audit Committee
SML Isuzu Ltd.	Audit Committee
SML Isuzu Ltd.	Remuneration Committee

Mr. Nanda's re-appointment would be in the category of Independent Directors.

- c) Mr. Pankaj Bajaj is a Non-executive Director on our Board. He holds a Bachelor's degree in law (LLB) from Hemvati Nandan Bahuguna Garhwal University, Uttarakhand (1996) and pursued an Executive Management program from University of Maryland in the Year 2000. Mr. Bajaj is a fellow member of The Institute of Chartered Accountants of India (FCA), Associate Member of The Institute of Company Secretaries of India (ACS) and Associate member of The Institute of Cost Accountants of India (ACMA). He started his career in 1995 with Deloitte Haskins & Sells. He joined Sumitomo Corporation India Private Limited in 1997 as Company Secretary. He currently holds the post of Director and Company Secretary and handles diversified corporate department responsibilities for the Company which operates across a spectrum of sectors including Automobiles, Chemicals and Electronics. Mr. Bajaj has over 18 years of experience in areas such as corporate planning, legal and secretarial matters, corporate finance, risk management, taxation and internal controls. He joined Company's Board in July, 2006.

Mr. Bajaj is Director of Sumitomo Corporation India Pvt. Ltd.

Mr. Bajaj does not hold any shares in the Company.

Mr. Pankaj Bajaj is a Non-executive Director belonging to the promoter group.

- d) Mr. Yuji Kosaka was appointed as a Director and Whole-time Director of the Company by the Board of Directors at their meeting held on 8th November, 2012. He holds a bachelor's degree in Engineering from Keio University, Japan. He joined Isuzu Motors in 1969 and since then has held several positions in quality control department and manufacturing engineering planning department. He became Managing Director of the Isuzu Motors Co (Thailand) in 2001. Thereafter, he also served as President in Isuzu Techno Co. Ltd & Tohoku Seiko Co. Ltd.

Mr. Kosaka does not hold any shares in the Company.

- e) Mr. Masaki Nakajima was co-opted on 07th May, 2013 as a Non Executive Director on our Board. He holds a bachelor's degree from Waseda University, Japan. He joined Sumitomo Corporation in 1985 and since then has held several positions in Corporate Planning, Coordination and Marketing department and is currently General Manager, Automotive Division.

Mr. Nakajima does not hold any shares in the Company.

Mr. Masaki Nakajima's appointment would be in the category of Non-executive Director belonging to the promoter group.

- f) Mr. Yasuyuki Nijjima was co-opted on 07th May, 2013 as a Non Executive Director on our Board. He holds a bachelor's degree in Economics from Keio University, Japan. He joined Isuzu Motors in 1983 and has over 30 years of experience at various levels and is currently General Manager, International Sales Department.

Mr. Nijjima does not hold any shares in the Company.

Mr. Yasuyuki Nijjima's appointment would be as a Non-executive Director.

- g) Mr. Sudhir Nayar has been co-opted as a Director on 6th August, 2013. He holds a degree in B Tech from IIT Delhi and is a MBA from FMS, Delhi University. Mr. Nayar has worked in the Sales and Marketing functions for over 30 years in various capacities, the last one being General Manager, East with Hindustan Unilever (HUL). Prior to that he worked with Tatas in their Fast Moving Consumer Goods (FMCG) part of the business with Tata Oil Mills Company (TOMCO) for nineteen years. He has also been a guest lecturer in various business colleges during the last eight years. Mr. Nayar has also been involved in taking full semester courses in various aspects of Marketing Management and Distribution Management. He has also served as a Director with Modern Foods and Industries Limited (A Company manufacturing breads and biscuits which was acquired by HUL) and was the Chairman of KSIL - a joint sector Company of HUL and West Bengal Industrial Development Corporation (WBIDC) - a West Bengal State Government Developmental Company.

Mr. Nayar does not hold any shares in the Company.

Mr. Sudhir Nayar's appointment would be as an Independent Director.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No. 7 & 8

Taking note of Mr. Yuji Kosaka's vast experience spanning 43 years in the areas of Quality Control & Manufacturing Engineering and guided by the imperatives of Company's future growth plans, the Board had co-opted Mr. Yuji Kosaka as an Additional Director on 8th November, 2012 and he holds office upto the date of the forthcoming Annual General Meeting. A notice under section 257 of the Companies Act, 1956 has been received proposing the appointment of Mr. Kosaka as a Director. Hence, the resolution for approval.

The Board of Directors at their Meeting held on 8th November, 2012, appointed Mr. Yuji Kosaka as Whole - time Director of the Company, designated as Director - R&D for a period of 2 Years with effect from 8th November, 2012 subject to the approval of the shareholders.

It is the considered view of the Board that Mr. Kosaka's association as Whole-time Director would be of immense value to the Company and recommends the resolution for approval.

None of the directors of the Company except Mr. Yuji Kosaka is in any way concerned or interested in the resolution.

Item No. 9

Taking note of Mr. Masaki Nakajima's vast experience in Corporate Planning, Coordination and Marketing and guided by the imperatives of Company's future growth plans, the Board had co-opted Mr. Masaki Nakajima as an Additional Director on 7th May, 2013 and as an Additional Director he holds office upto the date of the forthcoming Annual General Meeting.

It is the considered view of the Board that Mr. Nakajima's association as Director would be of immense value to the Company and recommends the resolution for approval.

A notice under Section 257 of the Companies Act, 1956 has been received proposing the appointment of Mr. Nakajima as a Director. Hence, the resolution for approval.

None of the directors of the Company except Mr. Masaki Nakajima is in any way concerned or interested in the resolution.

Item No. 10

Taking note of Mr. Yasuyuki Nijima's vast experience in Sales and Corporate Planning with Isuzu Motors, Japan and guided by the imperatives of Company's future growth plans, the Board had co-opted Mr. Yasuyuki Nijima as an Additional Director on 7th May, 2013 and as an Additional Director he holds office upto the date of the forthcoming Annual General Meeting.

It is the considered view of the Board that Mr. Nijima's association as Director would be of immense value to the Company and recommends the resolution for approval.

A notice under Section 257 of the Companies Act, 1956 has been received proposing the appointment of Mr. Nijima as a Director. Hence, the resolution for approval.

None of the directors of the Company except Mr. Yasuyuki Nijima is in any way concerned or interested in the resolution.

Item No. 11

Taking note of Mr. Sudhir Nayar's over 30 years experience in Marketing and Administrative areas, the Board had co-opted him as an Additional Director on 6th August, 2013 and as an Additional Director, he holds office upto the date of the forthcoming Annual General Meeting.

It is the considered view of the Board that Mr. Nayar's association as Director would be of immense value to the Company and recommends the resolution for approval.

A notice under section 257 of the Companies Act, 1956 has been received proposing the appointment of Mr. Nayar as a Director. Hence, the resolution for approval.

None of the directors of the Company except Mr. Sudhir Nayar is in any way concerned or interested in the resolution.

ANNEXURE TO DIRECTORS' REPORT

Information in accordance with the Companies (Disclosure of Particulars in the Report of Directors) Rules, 1988.

1. CONSERVATION OF ENERGY

The company has taken following initiatives for conservation of energy:

- Installation of Translucent sheets on shop floor roofs to reduce artificial lighting and enhance illumination level.
- Zero energy consumption Air Ventilators provided on roof of body shop to reduce artificial exhaust blower load.
- Power factor sustained at 0.99.
- Optimized lighting load in various production shops.
- Re-layout of compressed air pipe to reduce usage of air compressor.
- Automation to reduce idle running of machines.

2. TECHNOLOGICAL DEVELOPMENT

2.1 High torque BS III engine for SML platform developed and approved by ARAI.

2.2 Super Max truck with high torque engine, 4300 mm wheel base and 19 feet cargo box designed and prototype developed.

2.3 Expenditure on Research & Development during 2012-13:

	(Rs. in lakhs)
(a) Capital	264.63
(b) Recurring	1296.59
(c) Total	1561.22
(d) R&D expenditure as a %age of total revenue	1.54%

Our in-house Research & Development facility has been duly recognized by Department of Scientific & Industrial Research (DSIR), Govt. of India since 1987.

Major R&D achievements have been:

- Productionised and launched single tyre HG 72 model truck with 7200kg GVW on SML platform.
- Productionised and launched FR1318 - 41 seater bus on Isuzu platform in vehicle plant.
- Upgraded Super 12 model truck on SML platform and adopted 310 diameter clutch in place of 260 diameter.
- Low cost high torque BSIII engine developed for use on SML platform vehicles.

3. FOREIGN EXCHANGE EARNINGS AND OUTGO

	(Rs. in Lacs)
Earnings in foreign currency	2,749.57
Payments in foreign currency	2,029.13

NOTES

ATTENDANCE SLIP**SML ISUZU LIMITED**

Village Asron, Distt. Shahid Bhagat Singh Nagar (Nawanshahar), Punjab - 144 533

Annual General Meeting - 21st September, 2013

Please complete this Attendance Slip and hand it over at the entrance of the Meeting Hall.

NAME OF THE SHAREHOLDER/PROXY

ADDRESS

Folio No.

DP ID*

Client ID*

No. of Shares held :

I hereby record my presence at the 29th Annual General Meeting of the Company at its Regd. Office & Works at Village Asron, Distt. Shahid Bhagat Singh Nagar, Nawanshahar - 144 553 (Punjab) on Saturday the 21st September, 2013 at 1.00 PM.

*To be used for shares held in
electronic form

SIGNATURE OF THE SHAREHOLDER/PROXY

PROXY**SML ISUZU LIMITED**

Village Asron, Distt. Shahid Bhagat Singh Nagar (Nawanshahar), Punjab - 144 533

Folio No. DP ID* Client ID*

I/We

of being a member/members

of SML ISUZU LIMITED hereby appoint

of

or failing him

of

as my/our proxy to vote for me/us and on my/our behalf at the 29th Annual General Meeting of the Company to be held on Saturday the 21st September, 2013 at 1.00 PM and at any adjournment thereof.

Signed this day of 2013 by the said.

*To be used for shares held in
electronic form.

Affix
Revenue
Stamp

Signature

Note : This proxy must be returned so as to reach the Registered Office of the Company not less than 48 hours before the meeting. The Proxy need not be a member of the Company.